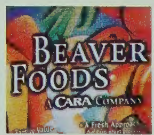
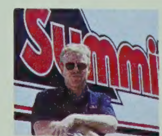
Brand Leadership

CARA

Cara Operations Limited • 1999 Annual Report • Year ended March 28, 1999

The Cara Brand Portfolio

CARA RESTAURANTS		Profile	Scope
	**Swiss Chalet**	Swiss Chalet, a full-service restaurant chain, is Canada's leader in casual family dining, specializing in rotisserie chicken and ribs.	$328 million sales; 169 restaurants, of which 133 are franchised; over 7,800 operating associates and teammates serving over 40 million guests a year.
	**Harvey's**	Harvey's, a leading quick service restaurant chain, is number one in the best-tasting charbroiled hamburger category in Canada.	$270* million sales; 363 restaurants across Canada, of which 311 are franchised; over 8,200 operating associates and teammates serving over 50 million guests per year.
	**Air Terminal Restaurants**	The leader in providing food, beverage and merchandise at Airports and other travel venues; with facilities at every major commercial airport in Canada.	$48 million sales; 79 food, beverage and merchandise concessions; over 1,200 teammates serving over 7 million guests a year.

CARA FOODSERVICES		Profile	Scope
	**Cara Airport Services**	Canada's leader in airline catering, serving over 50 domestic and international airlines out of 12 flight kitchens across Canada.	$218 million sales; 12 flight kitchens, 11 commissaries; over 3,000 teammates serving 26 million passenger meals a year.
	**Beaver Foods Limited**	Beaver provides catering services and operates retail foodservice facilities for institutional clients in the business and industry, education and remote resource camp segments.	$251 million sales; over 6,200 teammates; 1,004 foodservice operations across Canada serving over a million guests a week.
	**Cara Health Services**	Cara Health Services is an institutional caterer specifically focused on meeting the specialized needs of hospitals and long-term care facilities.	$45 million managed sales; over 1,000 managed personnel and employees serving 9 million meals annually from 47 foodservice operations in hospitals and long-term care facilities.
	**Summit Food Service Distributors Inc.**	Summit is a full-line wholesale foodservice distribution company, serving hotel, health care, restaurant and institutional markets, primarily in Ontario and Quebec.	$253 million sales; with warehouses in Ottawa, Fingal, and London, Ontario; over 300 teammates; and a fleet of specially equipped tractor-trailers.

STRATEGIC PARTNERS		Profile	Scope
	**Second Cup**	Canada's leading and North America's second largest specialty coffee retailer.	$283 million sales in fiscal 1998; over 350 Second Cup stores in Canada and over 300 stores in the United States and in six foreign countries.
	**Spectra**	A leading, regional multi-concept restaurant group currently operating in British Columbia and Washington State.	$70 million sales in fiscal 1999; 61 restaurants including Bread Garden, Milestone's and The Boathouse.

* Includes Harvey's sales in all divisions.

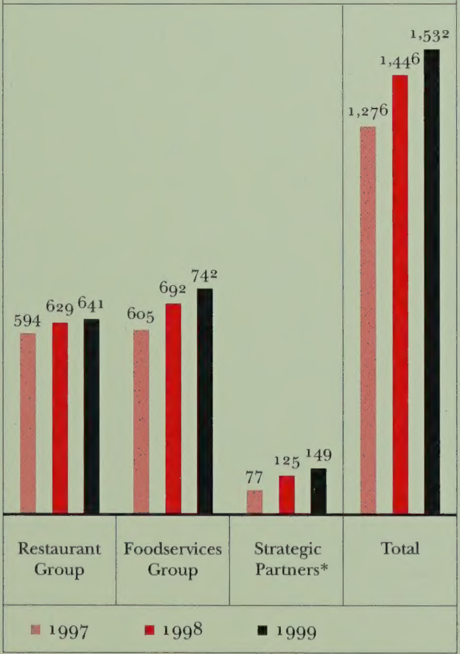
Financial Highlights

In thousands of dollars, except for share data	1999	1998	1997
System Sales	**1,246,050**	1,194,216*	1,097,184*
Gross Revenue	**864,890**	806,927*	719,125*
Net Earnings Before Restructuring	**28,229**	35,027	30,369
Net Earnings After Restructuring	**18,991**	35,027	30,369
Net Earnings per Share Before Restructuring (¢)	**29.5**	35.7	30.1
Net Earnings per Share After Restructuring (¢)	**19.9**	35.7	30.1
Dividends per Share (¢)	**12.0**	11.0	10.0
Shareholders' Equity	**248,279**	267,660	238,175
Long-term Debt and Notes	**182,213**	108,448	115,492
Shares Outstanding (000's)	**94,638**	98,859	97,811

*Includes discontinued operations – 1998 and 1997 (Days Inn).

COMPARATIVE ENTERPRISE SYSTEM SALES BY GROUP

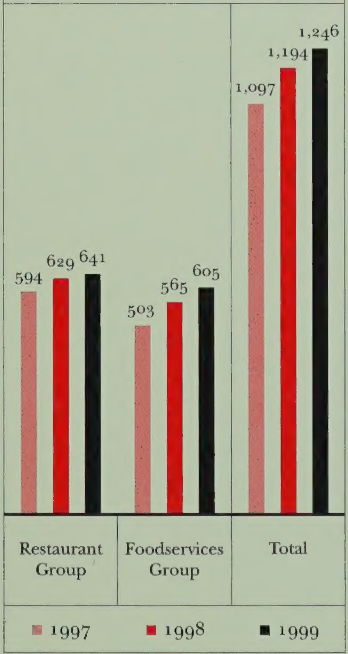
(in millions of dollars including franchise and intercompany sales)



*Cara's proportionate share.

COMPARATIVE STATUTORY SYSTEM SALES[1] BY GROUP

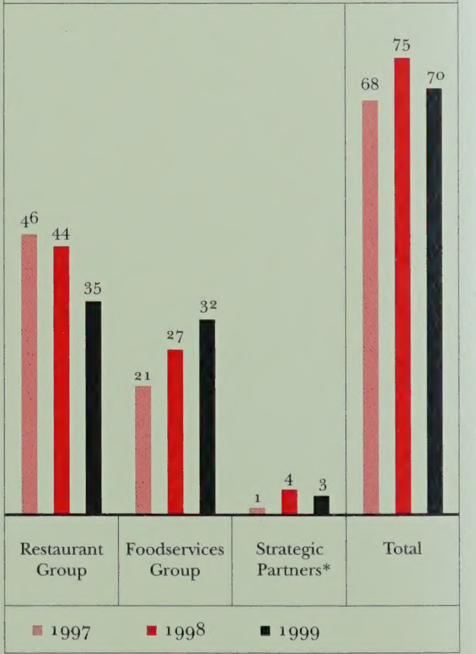
(in millions of dollars including franchise sales)



1. Net of Intercompany sales.

COMPARATIVE OPERATING INCOME[2] BY GROUP

(in millions of dollars)



2. Before Income taxes, discontinued operations and restructuring costs.

*Cara's proportionate share.

MISSION STATEMENT

Cara's mission is to build shareholder value through leadership in our food businesses – achieving dynamic growth with responsible use of capital.

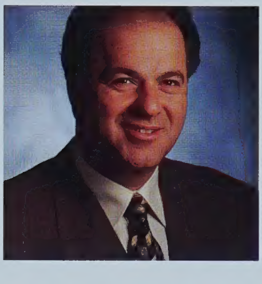
VISION

Cara's vision is leadership – leadership in our food businesses. That vision is based on our knowledge that leadership in the food business means more than developing the best brands and the best products. It means constantly making the best even better. It means generating excitement. It means moving forward.

FINANCIAL GOALS

Our goals are to achieve annual sales growth of at least 10% and return on shareholders' equity of 15%.

To see the "Cara Brand Portfolio," turn over >



Gabriel Tsampalieros
President &
Chief Executive Officer

To Our Shareholders: In a year of high expectations for Cara, overall results were disappointing and returns to shareholders were poor. However, most of our businesses achieved record results and we made significant progress with our long-term strategies to enhance shareholder value and of brand leadership.

Every part of my opening statement calls for examination as we review our performance in fiscal 1999:

1. A YEAR OF HIGH EXPECTATIONS FOR CARA

We entered fiscal 1999 with considerable momentum, after a year of strong growth in sales, gross revenue, earnings, return on equity and a significant appreciation in share price. We had embarked on Vision 2000 – a comprehensive program for revitalizing our core brands. We had expanded our businesses rapidly over the previous few years, opening a record number of new restaurants, acquiring new accounts, forging strategic alliances, launching new concepts and entering new segments at a steady pace. We had been aggressively pursuing our long-term growth strategies. And we anticipated a comparable year of progress in 1999. Our expectations for delivering on our financial goals were indeed high.

At the same time, we were not blind to the challenges. Markets were tough and we were operating in a highly competitive and relatively mature business. While we had expanded and added restaurants and brands, so had our competitors. There had been an explosion of new restaurants – in our existing categories and in new food categories – all competing for the same consumer dollars. Consumers had more choice than ever, and, due to efficiencies and price-sensitive promotions, greater value than ever.

We continued to respond by intensifying our efforts to revitalize our brands and build our businesses. To this end, we addressed a slump in growth and earnings at Harvey's – an excellent brand that we had expanded aggressively, adding 80 net new (including 45 traditional) restaurants (an increase of 25%) in just two years. However, to propel further growth, we saw the need to close those restaurants that for one reason or another were underperforming and having a negative impact on the Harvey's brand. In last year's annual report, we announced that we would be decommissioning 20 such restaurants a year over the next five years.

> "We entered fiscal 1999 with considerable momentum, after a year of strong growth."

However, as fiscal 1999 progressed, we decided to accelerate this process and take the provisions and writedowns on 71 closures in fiscal 1999 rather than spread them over a longer period. In that way, we knew we could start fresh and, as we saw it, "prune the tree to allow the stronger roots and branches to thrive." The resulting writedowns and lower operating earnings at Harvey's were the major factors in our earnings decline.

While depressing operating income and earnings in the year, we saw a number of benefits in these accelerated closures – in keeping with our vision and value creation strategies: improving the brand image of Harvey's in our guests' eyes, improving same-restaurant sales and profitability, creating opportunities to develop new restaurants in prime locations, focusing management on brand development and operational excellence and revitalizing Harvey's for the benefit of all stakeholders.

"Our strategies and Vision 2000 initiatives for revitalizing and rejuvenating our core brands are more important than ever."

In all these vital respects, it was a positive move, and in keeping with our vision and brand leadership strategies. But it also kept us from meeting our earnings expectations.

2. RETURNS TO SHAREHOLDERS WERE POOR

By falling short of earnings expectations, we failed to deliver on improvement to returns to shareholders. Due to the earnings performance of Harvey's – along with higher depreciation, higher interest costs and lower equity earnings from our strategic partners – before restructuring, the bottom line fell by 20% to $28.2 million, and ROE fell to 11% from 14% the prior year – well below our stated goal of sustainable ROE of at least 15% by the end of fiscal 2001. This, combined with market volatility, served to flatten the share price after a buoyant year in fiscal 1998. In our view, the current share price does not reflect the essential quality of either our assets or of our earnings.

Our vision of acknowledged leadership in the Canadian food business includes superior returns to shareholders. We are not satisfied with the bottom-line results of 1999, and we remain determined and focused to meet our established goal of 15% ROE. At the same time, we are determined to remain focused on our long-term strategies – we will not sacrifice long-term value creation for short-term profits. We believe there is a balance and we will deliver on that balance.

What our team has learned from this is very clear – our strategies and Vision 2000 initiatives for revitalizing and rejuvenating our core brands are more important than ever – and must be accompanied by greater discipline and further focus.

Our decision to "take the hit" on Harvey's is one example of such discipline and focus. So too was our decision in the year to focus our growth in our high opportunity markets and segments and to invest heavily in a world-class dynamic brand value management system – providing a fact-based approach for the strategic development of our brands, to maximize and leverage the considerable value of these assets.

3. MOST OF OUR BUSINESSES ACHIEVED RECORD RESULTS

While disappointed in the poor earnings performance, we were not discouraged. Indeed, we are very pleased to report the solid financial performance delivered by most of our businesses and to acknowledge the tremendous efforts of our teammates and operating associates.

Overall system sales from continued operations improved by 4.8%, reflecting success in building sales by all members of the Cara Foodservices group and by Swiss Chalet and ATR.

Even more important, every business within our Foodservices group delivered record sales and operating earnings – a stellar achievement in the face of unplanned disruptions. We also saw record sales at Swiss Chalet, with very encouraging gains in same-restaurant earnings, and record sales at ATR as well as at Second Cup. Each and every one of our businesses, including Harvey's made progress in fiscal 1999 and most improved on their leadership position in their segment.

Full details of the operating and financial achievements of our businesses can be found in the Management's Discussion and Analysis section beginning on page 18.

4. WE MADE PROGRESS WITH LONG-TERM STRATEGIES

During fiscal 1999, we continued to seek out opportunities for long-term value creation and pursued – and adapted – our growth strategies accordingly. We constantly assess the application of our strategies and the development of new initiatives. Sometimes we make mistakes – but the greatest mistake in a rapidly changing highly competitive environment is to do nothing. We are prepared to take risks and make mistakes in our quest for creating sustainable shareholder value and growth.

"During fiscal 1999, we continued to seek out opportunities for long-term value creation."

Focusing the organization: Our actions with Harvey's are one example of our intensified focus on brand and business leadership. So are the gains made by our other businesses. As well, we continued to focus on developing leadership in human resources management. A key element of this has been shaping the management team to lead us forward. Jim Williams, in his second year as head of Cara Foodservices, added strength and depth to his group. Wayne Holm assumed his position as President of Cara Restaurants and moved decisively to revitalize his management team with new leader-

ship in each of the three divisions. We have a strong, positive, committed team – determined to establish Cara's leadership.

Building sales and market share: As noted, save for Harvey's, all of our businesses built sales and market share in fiscal 1999. Details are provided in the MD&A.

Twinning and multiple branding approaches: In recent years, we have been very aggressive in pursuing twinning and multiple branding concepts. We became more focused in this area during the year, recognizing that while certain brands complement each other extremely well – Swiss Chalet and Harvey's are a case in point – others do not combine with the right magic. For instance, Toast! – our café serving Second Cup coffee, and Swiss Chalet chicken, did not fare as well in suburban locations where it was twinned with Swiss Chalet – but it has performed exceptionally well as a stand-alone concept in non-traditional locations such as airports and hospitals. But the right combinations deliver results, and we are continuing to develop twinning strategies at both Cara Restaurants and Cara Foodservices – internally and with our strategic partners.

Acquisitions and strategic alliances: Over the past several years, we have enhanced our brand portfolio and opened up new growth opportunities through investments in and strategic alliances with Second Cup and Spectra. Neither of those alliances provided a high return on investment in fiscal 1999. Second Cup faced considerable costs in the integration of Gloria Jeans with Coffee People in the U.S., resulting in a decline in our equity earnings. However, Second Cup has agreed to sell its U.S. operations and focus on its very successful and expanding Canadian operations, and shortly after our fiscal year-end, Second Cup announced its offer to purchase up to 5 million of its own shares, a move that the company believes will have a positive impact on the value of Second Cup shares and which will allow Cara to repatriate approximately 50% of our investment while wholly maintaining our ownership position. Spectra has announced its plans for significant growth which include entry into the Ontario market this year. We are and remain confident in the long-term value of both of these investments.

"We have enhanced our brand portfolio and opened up new growth opportunities through strategic alliances."

During the year, Beaver Foods completed its acquisition of Innovative Catering Lines of Vancouver, increasing its presence in Western Canada. And just after year-end, we pursued another attractive strategic alliance – reaching an agreement to acquire majority control of 100-restaurant chain Kelsey's International, which operates the casual style Kelsey's Restaurants and Montana's Cookhouse

Saloons and is the Eastern Canadian franchisee for Outback Steak House. These successful and growing brands will complement our existing brands and businesses and provide new growth opportunities.

Entering new markets: In terms of our geographic reach, Beaver increased its presence in Western Canada with the acquisition of Innovative Catering Lines of Vancouver, ATR expanded in Winnipeg and Cara Health Services entered the Quebec market. Our branded restaurants are focusing their growth primarily in our core markets.

5. WE INVESTED HEAVILY IN BRAND LEADERSHIP

In pursuit of our vision to be the acknowledged leader in the Canadian food business, we have been developing an exceptional portfolio of brands – restaurant brands and branding approaches in our foodservices businesses. Given the dynamics of the food business today – the plethora of competitors and concepts – we believe that brand leadership is fundamental to future growth and success.

In the photo section that follows this letter, we take a look at the key ingredients of leadership brands – the people, products, places and partnerships that set Cara apart and that we believe will deliver sustainable value.

During the year, we continued to revitalize and develop our brands. But we realized we had to go further to maximize and leverage the exceptional underlying value of our brands – and to add value to them and to Cara. With our portfolio of brands, we are up against the world's most powerful retailers – and we recognized the need for a world-class brand management process, to maximize and leverage the value of our core assets. To this end, during the year we retained a U.K.-based leading brand consultancy and invested approximately $2 million to develop a proprietary Cara system – a dynamic brand value management system; a highly sophisticated fact-based analytical system that helps us use market intelligence as an effective and targeted strategic planning tool. This tool helps us identify and respond to trends and market conditions while providing benchmark measurements – key performance indicators – to track the success of our initiatives.

"We realized we had to go further to maximize and leverage the exceptional underlying value of our brands."

INVESTING IN OUR PEOPLE

Our new brand management system is fact-based but our business and future is very much people-based. Leadership in the food business depends on having the best team of people in the food business. Over the past two years, we have been overhauling and updating our human resource policies and programs to ensure that we attract, retain and motivate the best. To this end, we have

made considerable strides in introducing new management training, career development and leadership training programs and we are reviewing our compensation system to ensure that we build in appropriate incentives and rewards. Most important, we want to ensure that we have a positive, values-driven culture. We have been defining and refining the values accordingly and plan to communicate these company-wide this fall.

LOOKING FORWARD

It's not going to get any easier in fiscal 2000, with increasingly competitive market conditions in Canada.

But with the achievements and lessons of fiscal 1999, we are better equipped to make gains in this environment. We are more determined than ever to strengthen our brands and pursue our vision of leadership in the Canadian food industry. We are also determined to deliver value to our shareholders – present value as well as future value. Our expectation is to make measurable progress on both fronts in the year ahead.

Yes, we are cognizant of the challenges ahead but we are also secure in the knowledge that all of our brands moved forward in fiscal 1999 and improved on their leadership position, a fact that allows us to look to the future with well-founded optimism.

GABRIEL TSAMPALIEROS
President & Chief Executive Officer

THE ROAD TO LEADERSHIP AT CARA

In a year of tremendous challenge and change, the management and teammates of Cara have stayed focused on our mission to achieve leadership in our food businesses.

On behalf of the Board and the major shareholders of Cara, I am happy to report that management has demonstrated tremendous energy, commitment and vision in making tough decisions while developing our exceptional portfolio of brands and businesses and revitalizing the core brands of a remarkable company. Cara is the only food-services business in Canada to have both a major branded restaurant group and a major institutional catering group as well as our own distribution company. This unique combination provides opportunities to all our operations – and helps us manage risk through geographic and market diversity.

Management has set out a clear strategic direction for Cara for the new century and we are already seeing results. I look forward to greeting all shareholders at our annual meeting on July 22nd, where we will review progress on the road to leadership.

M. BERNARD SYRON
Chairman of the Board

Brand Leadership Our route to leadership in the Canadian food industry is through brand leadership and we have been shaping a formidable portfolio: Cara itself, known internationally as the leading brand in Canadian airline catering... Swiss Chalet, the leader in casual family dining in Canada... Harvey's, the quick service segment leader in best taste... Beaver, the leader in key institutional catering categories... Summit, a regional leader

in food distribution... ATR the leading food and beverage retailer at major Canadian airports, Cara*Flex*™, the innovation leader in health care catering... Second Cup, the leading specialty coffee retailer in Canada. In each instance, there are four basic ingredients of brand leadership: the people of Cara, the products we serve, the places where we reach Canadians, and the lasting partnerships we have forged to add value.


SWISS CHALET
ROTISSERIE & GRILL

OPPOSITE PAGE:

< Hostess Rhonda, Swiss Chalet, Kitchener

TOP TO BOTTOM:

> First Gardemanger Maria, Flight Kitchen, Toronto

> Summit Driver Dan, Kitchener

> Harvey's Chef Jamie, Etobicoke

People

Leadership begins with people. At Cara we call them teammates, and having the best teammates in the foodservice business is what sets Cara apart – the teammates who lead our businesses... the operating associates who run our franchised restaurants... the teammates who prepare and serve the food, who deliver the ingredients... the teammates who work behind the scenes – from marketing experts, to guest relations and customer service representatives, IT professionals, quality control supervisors, menu and product experts, restaurant designers, financial groups and purchasing teams. We aspire to be the best in every area – and we are striving to develop the human resource policies, the career development opportunities, the values and culture of excellence that will attract, retain and motivate people who want to be part of an enterprise that is focused on leadership.

OPPOSITE PAGE:

> Swiss Chalet, "Taste of the Orient"

LEFT TO RIGHT:

v Harvey's new "Veggie Burger"

v Air Canada, inflight first class meal service

v Beaver Foods Pizza

Products

The beloved Swiss Chalet rotisserie chicken with its special sauce… the best-tasting hamburgers at Harvey's… the ever-improving and evolving Cara airplane menus… the excitement of new food offerings at Beaver Foods… the innovative patient trays of Cara*Flex*™… the respected name brand products delivered by Summit… the great coffee of Second Cup… Food. That's what people come back for and that's how they identify us – through the taste, quality, value and menu combinations that translate into loyalty – brand loyalty. To maintain brand leadership, we must constantly strive to make the best better – to add value to our menus and products by adding choice and flavours to meet changing consumer tastes – while preserving the distinct and unique tastes that our guests identify with our brands.

melt
$2.99
$4.34
CUSTOM COMBO
CUSTOM COMBOS
CUSTOM COMBO SIDES
HARVEY'S

OPPOSITE PAGE:

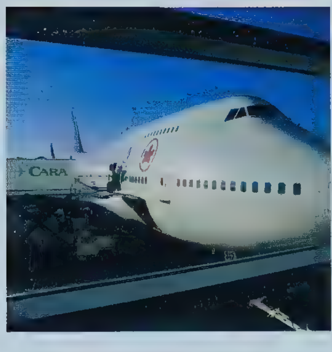
< Hostesses Suzie and Maria, Harvey's, Etobicoke

TOP TO BOTTOM:

> "Vision 2000" Swiss Chalet, Kitchener

> Air Canada, one of our leading customers

> Pacific Market, Vancouver Airport



Places

In the air… at school… in your neighbourhood… on highways and byways… at the mall… at your workplace… at airports… at logging and resource camps in the Canadian wilderness… perhaps even in your hospital bed or seniors residence. These are the places where Cara serves our guests and those of our customers, about 250 million times or almost 10 guest visits per Canadian per year. We reach people everywhere. But it's not enough to reach them. We must create the right environment at every place, so that people want to come back – again and again. That's what's driving the Vision 2000 reimaging and rejuvenation programs of Swiss Chalet, Harvey's, Air Terminal Restaurants and Beaver Foods. And it's driving the continuous meal tray process and presentation improvements of Cara Airport Services and Cara Health Services. Leadership brands need leadership settings.

OPPOSITE PAGE:

> Chef David, Air Canada Cafeteria, Montreal

LEFT TO RIGHT:

v Harvey's/Swiss Chalet, Ottawa Airport

v Bread Garden/Swiss Chalet, Maple Ridge, British Columbia

v Second Cup, Toronto

Partnerships

Our portfolio of brands and businesses is greater than the sum of its parts because each adds value to the others through partnerships, both internal and external; partnerships among our brands through twinning and multiple branding… partnerships with our operating associates and our teammates, as we work together to define and exemplify leadership… partnerships with our customers, to ensure we meet their evolving needs… partnerships with suppliers, to ensure that we deliver on our customers' expectations… partnerships with our strategic partners, developing mutually beneficial approaches… partnerships among our operating businesses and groups, combining our resources and expertise to create value for shareholders, our ultimate business partners in our quest for leadership.

TOP TO BOTTOM:
^ Harvey's Supreme Chicken Sandwich
^ Humber College, Etobicoke
^ Air Canada Meal Service

CARA'S CORE BUSINESS SEGMENTS

The largest integrated foodservices company in Canada, Cara operates in two major segments of the food business – the branded restaurant segment and the institutional catering segment, reflected by the following groups:

- Cara Restaurants – one of Canada's largest branded restaurant groups with annual system sales of over $641 million; operations include Swiss Chalet, Harvey's, and the ATR Division.
- Cara Foodservices – Canada's largest foodservice business with annual system sales of over $605 million; operations include Airport Services Division, Beaver Foods Limited, Cara Health Services Division, and Summit Food Service Distributors Inc.

As well, Cara is a major investor in two significant restaurant companies: The Second Cup Limited and The Spectra Group of Great Restaurants Inc.

CONSOLIDATED RESULTS OF CONTINUING OPERATIONS

In a year of moderate growth in the Canadian economy, most of Cara's divisions performed well in fiscal 1999. The notable exception was Harvey's, which saw continued decline in same-restaurant sales and earnings and where expansion through the opening of new restaurants was largely offset by the decision to accelerate brand rejuvenation through the closure of underperforming restaurants.

System sales from continuing operations grew by 4.8% to $1.25 billion in fiscal 1999, while gross revenues grew by 7.9% to $865 million. These gains reflected effective growth strategies by Cara Foodservices Group, by Swiss Chalet and by the ATR Division of Cara Restaurants.

However, Cara's consolidated earnings from operations before restructuring declined to $28.2 from $35.03 million the previous year, net earnings declined to $18.9 from $35.03 million in fiscal 1998 and earnings per share were $0.20, compared to $0.36. These results reflected:

- a $15.5 million pre-tax restructuring charge to close 71 marginal Harvey's restaurants;
- substantially lower operating income from Harvey's;
- lower equity earnings from the investment in Second Cup;
- increased interest expense, as we converted floating rate debt to fixed rate debt and borrowed an additional $78 million to fund capital expenditures and investments;
- higher expenses, including approximately $2 million on a highly advanced dynamic brand value management system; and
- higher depreciation and amortization reflecting increased capital expenditures and investment activity over the past three years.

Return on equity declined to 10.9% before restructuring and 7.4% after restructuring from 13.8% in the previous year, reflecting the decline in earnings. Dividends were raised to 12 cents per share for fiscal 1999, up from 11 cents the previous year.

Review of Operations – Cara Restaurants

While consumer spending in Canada increased slightly in fiscal 1999, Cara Restaurants continued to face the challenge of intense competition for market share in a changing marketplace. Canada saw a further proliferation of new restaurants and escalating consumer preference for ethnic food, home meal replacement, casual-style concepts and drive-through/take-out convenience. In fact, stronger price-driven promotions, aggressive expansion and refurbishment by multinationals in the quick service segment impacted Harvey's sales and brand performance.

In this environment, Cara Restaurants system sales grew to $641 from $629 million in fiscal 1998, and gross revenue was up by 8.9% to $180 million. The sales growth was driven primarily by Swiss Chalet, with a solid contribution from Air Terminal Restaurants. Swiss Chalet increased profitability and same-restaurant results but operating income for Cara Restaurants declined to $34.9 compared to $44.0 million in fiscal 1998 – reflecting the decline in earnings at Harvey's and our decision to accelerate the closure of marginal Harvey's restaurants.

Our investment in dynamic brand value management – a fact-based market intelligence and analysis system – identified the need to accelerate Harvey's rejuvenation program. These sophisticated processes have become vital tools in building brand value and brand leadership, and are recognized and utilized by a number of global brand leaders. Targeted strategic planning, key performance indicators, competitive bench measures and focused consumer insights are providing world-class discipline, skills, and leadership for our brands.

While focusing on more disciplined brand management, we reshaped the restaurant group management team – moving Steve Tsambalieros from Air Terminal Restaurants to lead Swiss Chalet, Dave Barlow from Cara's purchasing division to lead Harvey's, and promoting Ken Otto to lead Air Terminal Restaurants. Amir Ajani and Dan Lepidas, formerly brand leaders at Swiss Chalet and Harvey's, respectively, have taken on the vital task of managing the Harvey's decommissioning program.

During the year, our restaurant divisions accelerated their Vision 2000 reimaging and rejuvenation programs and other brand leadership initiatives. We are beginning to see the results at Swiss Chalet, which had its best sales year ever in fiscal 1999. Air Terminal Restaurants' dramatic changes to brand portfolios are building sales, and Harvey's will, we believe, move forward positively from its fresh start.

"We made a number of decisive moves during the year to establish brand leadership in the Canadian restaurant business."

Wayne Holm
President & Chief Operating Officer
Cara Restaurants

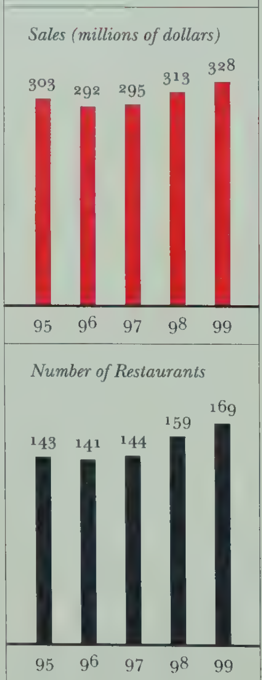
COMPARATIVE SALES GROWTH BY RESTAURANT GROUP

1. Swiss Chalet 51.1%
2. Harvey's 40.5%
3. Air Terminal Restaurants 7.6%
4. Other 0.8%

"It was an exciting year for Swiss Chalet as we moved forward with Vision 2000 and brand leadership initiatives while achieving – with our operating associates – profitable growth."

Steven Tsambalieros

SWISS CHALET



Swiss Chalet

Swiss Chalet, Cara's most profitable division, had its best year of sales yet in fiscal 1999. System sales reached $328 million, up by 4.6% from $313 million in fiscal 1998. Profit margins improved and operating profit was up by 2.7%. Part of the growth was due to expansion, with 12 new restaurants opening during the year; more importantly, we achieved same-restaurant profitability gains for the second consecutive year, with positive results for our operating associates.

By year-end, Swiss Chalet had built on its position as the leading brand in the casual family dining segment in Canada. Swiss Chalet's strong performance in fiscal 1999, as indicated below, reflects a range of successful strategies and initiatives executed by our teammates and operating associates – and positive response from our guests to the new look of our Vision 2000 reimaging program. We discontinued twinning Swiss Chalet with Toast! Café & Grill as this brand was repositioned for non-traditional venues. We decided not to expand our twinning program with Bread Garden; although this program has been moderately successful in British Columbia where Bread Garden is a well-regarded regional brand, we have not seen enough impetus to justify further development at this time.

Dynamic brand value management has helped define appropriate and compatible co-branding opportunities for Swiss Chalet. During the year, we developed and tested Roost – a bar and dining concept with a younger upbeat atmosphere – to be part of full-scale Swiss Chalet Restaurants. The three test models in Cambridge, Mississauga and Maple, Ontario have shown promising results; Roost has added a new dimension to the brand and is being well accepted by loyal customers while reaching out to a younger customer base.

LEADERSHIP INITIATIVES

People: The Swiss Chalet Creed is driving our change in culture. This initiative has improved operations support to our teammates in the field and revamped our recruitment and management development programs to emphasize leadership and communications.

Products: We complemented our core menu of rotisserie chicken and responded to changing consumer tastes with new appetizer and entree offerings, including new stir fry dishes, wraps, and sesame ginger chicken while enhancing desserts and the wine list. The average check was increased by over 4% while broadening choice in order to increase loyal customers' average visits per month and attract new customers.

Places: Swiss Chalet opened eight new restaurants during the year in Ontario, British Columbia and Alberta markets – all reflecting the Vision 2000 design which delivers a fresher, more contemporary environment. We introduced core elements of Vision 2000 – the new uniforms, menus, dishware and flatware – to most existing restaurants. As well, we tested Roost, our new bar/dining concept, in several markets.

Partnerships: We worked with Harvey's to maintain our successful twinning programs and opened four Swiss Plus (serving Harvey's) during the year while working on new opportunities with Air Terminal Restaurants and Beaver Foods.

FOCUS FOR FISCAL 2000

Strategically, in fiscal 2000, our key priorities include:

- increasing same-restaurant sales through targeted marketing, ongoing menu enhancement (including lunch menu), further implementation of our Vision 2000 program and an increased focus on operations quality through enhanced training procedures and more operational support to the field with the introduction of more area managers;
- opening a minimum of ten new restaurants in our existing markets, renovating ten existing restaurants in the Vision 2000 design mode, exploring the development of more Chalet Express outlets in food courts and non-traditional locations, and introducing Roost in appropriate locations; and
- focusing more closely on the take-out and delivery segments where we see strong opportunities for growth by enhancing call centres, increasing promotion and developing more drive-through locations.

TOP TO BOTTOM:

< Swiss Chalet, Kitchener

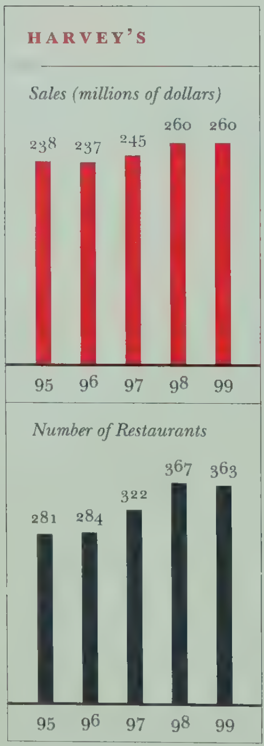
< Caribbean Special

< Swiss Chalet, Kitchener

Harvey's

"We're going back to the basics at Harvey's – focusing on our core markets and on the great taste that defines our brand. Our primary goal is to boost same-restaurant sales and profitability."

David Barlow



It was a tough year for Harvey's in fiscal 1999 as our financial results clearly demonstrate. System sales were $259.5, identical to the level of $259.5 million achieved in fiscal 1998. Same-restaurant sales and earnings declined for the second consecutive year and operating profits were down by 47.1%. Costs and restructuring charges associated with our decision to decommission 71 restaurants over the next two years – and the deteriorating financial performance that had led us to that decision – account for Harvey's results.

During the previous three years, we focused on aggressively increasing market share and systemwide sales by introducing new restaurants – many in new markets. However, net sales per restaurant and our overall brand value proposition declined, largely because we did not simultaneously remove underperforming restaurants. This experience has redirected our priorities to increase same-restaurant sales and market share through aggressive reimaging and renovation of existing restaurants and to continue the decommissioning of underperforming units.

The Harvey's team has successfully introduced our new Vision 2000 design in all new locations. New interiors, exteriors, logos, packaging, signage, uniforms and menu merchandising have generated very encouraging sales results and exceptional guest feedback. Going forward, we are proud that all new restaurants and those undergoing renovations will reflect Vision 2000 design elements and we are confident these restaurants will deliver improved sales results.

Brand leadership strategies are focused first and foremost on Harvey's tremendously loyal core customer base and will leverage our Best Taste position in Canada to appeal to a younger, broader market segment.

LEADERSHIP INITIATIVES

People: We are dedicating considerable energy towards enhancing our training and hospitality programs to focus more closely on culture, attitudes and operational standards to help re-energize the brand and rejuvenate our existing restaurants.

Products: More than ever, Harvey's is about Best Taste in charbroiled hamburgers. The new Veggie Burger reflects our attention to innovation, Best Taste and food quality. Consumer response in our test introduction exceeded expectations and we rolled out this product systemwide. The launch of our Custom Combos, which was another success over the last year, has positively increased overall combo sales and average check.

Places: A total of 23 restaurants were decommissioned by year-end. We opened 19 new restaurants in prime locations including 8 in Home Depot stores. Our three new Vision 2000 restaurants reflect traffic increases, strong sales and very positive consumer response. As well, a modified Vision 2000 renovation program has been initiated in one-third of our restaurants.

Partnerships: We continued to develop strong alliances with Cara brands. We now have 74 Harvey's serving Swiss Chalet and 15 Swiss Plus restaurants where Harvey's shares significant "back of the house" synergies while maintaining a separate Harvey's Restaurant environment for our guests. In addition, we have expanded into non-traditional centres through partnerships with Beaver (we now operate in nine schools and four universities), Air Terminal Restaurants (we operate in seven airports) and Home Depot (34 locations), where we have had significant success.

FOCUS FOR FISCAL 2000

We anticipate that multinational competition will continue to be aggressive in fiscal 2000. We plan to leverage our improved value proposition, service quality and atmosphere to ensure successful growth. Our main objective in the year ahead is to increase same-restaurant sales and profitability. To this end, we plan to:

- sustain and build brand value in the short and longer term through value proposition improvements;
- focus on protecting our loyal customer base in core markets and leverage our Best Taste position to appeal to a younger broader market;
- concentrate on the Best Taste of Harvey's in our advertising and marketing programs and in product development;
- reimage all corporate and a significant number of franchisee-developed restaurants;
- decommission 35 restaurants; and
- proceed with our new attitude and hospitality training programs and institute higher standards and quality controls for Harvey's.

TOP TO BOTTOM:

< Harvey's, Etobicoke

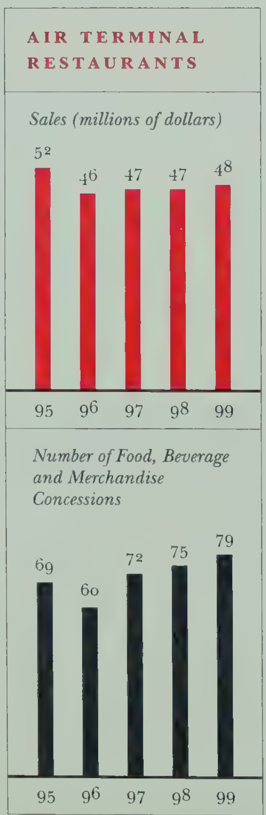
< Harvey's Custom Combos

< Harvey's reimaging, Windsor

Air Terminal Restaurant Division

"With branding concepts and well-designed renovations, we have been generating excitement in travel centres across Canada."

Ken Otto



Despite work disruptions at some airlines, the blizzard conditions across Canada in January, and substantially reduced traffic at Mirabel Airport in Quebec, the air travel market remained buoyant in fiscal 1999. In this environment, the ATR Division had a second year of successful expansion and revitalization of our bars and restaurants in major airports across Canada.

While proceeding with expansion and renovations, we achieved sales of $48 million in fiscal 1999, up by 3.3% from the previous year, and maintained our profit levels.

Among the highlights of the year, we expanded and renovated many of our restaurants and bars at Vancouver's Domestic Terminal Building, won the bid to redevelop and operate dining and beverage facilities at Winnipeg International Airport (a project we completed in the third quarter) and, just before year-end, we won the bid to redevelop and operate a significant portion of the restaurant and beverage facilities at Lester B. Pearson International Airport in Toronto.

We believe these wins are testimony to the success of the dynamic new approaches we have introduced into travel centres – beginning with the Pacific Market in Vancouver three years ago and continuing with the successful redevelopment of the food and beverage facilities at the Ottawa Airport in fiscal 1998. We have developed a strong formula for moving forward – fresh restaurants and bars, attractive renovations and designs, and a winning mix of national brands, including Swiss Chalet, Harvey's, Second Cup, and Toast!, and localized brands and concepts to meet the needs of each region.

LEADERSHIP INITIATIVES

People: We restructured the ATR management team in fiscal 1999, adding more functional expertise in design, food development and teammate training into our group as well as merging Toast! management into our group.

Products: We have been focusing on developing the right portfolios of brands and dining concepts to provide optimum dining product choice that meet the varied needs of each different region. For instance, at Winnipeg, we redeveloped the entire portfolio of nine restaurants with national brands (a Harvey's serving Swiss Chalet, Second Cup, Toast! and Tim Horton's), two local brands (Gunn's Bakery and Norm & Nates Deli) and custom concepts that we developed with a local flavour (Winnipeg's Exchange Brew Works and Eatery).

Places: We completed a renovation and expansion program at Vancouver, opening a well-received Milestone's, a Tim Horton's, a Toast! Café & Bar, and a new, localized concept – the Sunshine Coast Juice bar. We also completed and opened our new restaurants at Winnipeg – achieving a substantial sales increase over the predecessor facilities, redeveloped two restaurants in Edmonton, and opened Toast! Café & Bars in Calgary and Halifax.

Partnerships: Our ability to bring together winning combinations of brands and concepts is the direct result and benefit of our partnerships with Cara's brands, with our strategic allies, Second Cup and Spectra and with other external brand leaders. Our association with Cara Airport Services – a highly respected brand in the air industry – has also been a significant advantage.

FOCUS FOR FISCAL 2000

After two years of rapid expansion, our priority is to improve profitability and productivity. During the year ahead:

- we will proceed with our contract at Pearson Airport – aiming to open 17 different restaurants and bars in Pearson's three terminals by mid-December with our successful formula of localizing our branding approach. At Pearson, we are celebrating Toronto's best brands – including Harvey's, Swiss Chalet (including a Roost bar), Second Cup and Toast! from the Cara Restaurants portfolio and, external brands under licence;
- we will complete a redevelopment of the arrivals level food court at Vancouver International Airport – converting a Harvey's serving Swiss Chalet into the Vision 2000 mode, converting an older lounge into Stanley's Brew Works, and opening a Toast! serving Second Cup;
- we will further redevelop Mirabel to better reflect its reduction in traffic;
- we will continue upgrading the quality of the food program across the country and redeveloping menus to increase customer capture and the average amount spent per customer; and
- Toast! will continue its successful focus on non-traditional venues such as airports, health care facilities and educational institutions.

TOP TO BOTTOM:

< Toast!, Ottawa

< Sunshine Coast Juice Bar, Vancouver

< Gatineau Brew Works, Ottawa

Review of Operations – Cara Foodservices Group

The foodservices industry in Canada is undergoing tremendous challenges. Consolidation and the entry of major international players have increased competition on the institutional catering side. At the same time, the explosive growth of restaurants and the entry of new brands in recent years have provided consumers with a range of choices beyond the in-house dining facilities of our clients – and have driven consumer demand for value, variety and more sophisticated menus. However, clients face increasing budgetary constraints due to competitive pressures.

Leadership in this industry today requires excellence and efficiency in meal production combined with retail flair, product quality, strong merchandising, marketing and branding approaches – and innovative solutions for clients. Our businesses have been responding to the challenges and developing leadership strategies – individually, and collectively, through the synergies and cost efficiencies we have developed as a Group.

Growth in the Canadian economy in fiscal 1999 – particularly in air travel – coupled with the progress of our businesses, set the stage for record results for the Group. With sales gains in every business, system sales increased to $605.2 million from $565.2 million – up by 7.1% from fiscal 1998 and gross revenue improved by 6.7% to $685 million from $642 million. Earnings grew by 16.6% to $31.7 million from $27.2 million in the prior year as profitability improved in all divisions.

To develop fresh approaches and competitive advantages, Cara Foodservices has been drawing on the combined resources, strengths and expertise of the entire Cara team – leveraging Cara's purchasing power, branding expertise and retail restaurant capabilities.

We are also exploring new opportunities by anticipating and responding to changing consumer trends, tastes and demands. A major trend now is toward home replacement meals – for the growing number of families that prefer to eat at home and want choice and variety but don't have time to shop and prepare meals. We are using our collective expertise to assess the opportunity and develop strategies to penetrate this potential market.

Our group has shown leadership in setting itself apart from the competition and is focused on opportunities to generate future growth and value.

"The Cara Foodservices Group is a leader in more than size... we are also a leader in fresh approaches that are transforming the Canadian institutional catering industry."

Jim Williams
President & Chief Operating Officer
Cara Foodservices

COMPARATIVE SALES GROWTH BY FOODSERVICE GROUP

1. Summit Food Distributors 34.1%
2. Beaver Foods 33.8%
3. Airport Services 29.3%
4. Health Services 2.8%

Airport Services

Cara Airport Services achieved its best results ever in fiscal 1999 by capitalizing on growth in air travel, making ongoing improvements to our technology and processes, and building even further on our #1 market position by retaining all our domestic and international airline customers and adding Austrian Airlines.

Buoyant growth in air travel more than offset the impact of labour related disruptions at our largest client, and severe blizzard conditions which disrupted air travel in January. Cara Airport Services achieved record sales of $218 million, up by 8.5%. Higher volumes and ongoing productivity improvements offset the impact of the continued tightening of margins due to pricing pressures in the very competitive international airline industry and led to a moderate improvement in operating earnings.

Anticipating a gradual slowing of growth in air travel and heightened cost pressures on our clients – along with greater demand for innovative menu selections and food choices for air passengers – we recognize the ongoing need to make internal improvements to create value.

Having led the way in meal tray assembly with our innovative Cara*Flex*™ technology, we launched the development of a complete flight kitchen process redesign – known as FOCUS – in 1999. Now being tested and refined, FOCUS will be phased in at our flight kitchens in the year ahead. This is a state-of-the-art resource planning tool that will interface with customer reservation systems, allowing us to respond to last-minute passenger changes, improve just-in-time delivery and cost management functions and provide better value to our customers.

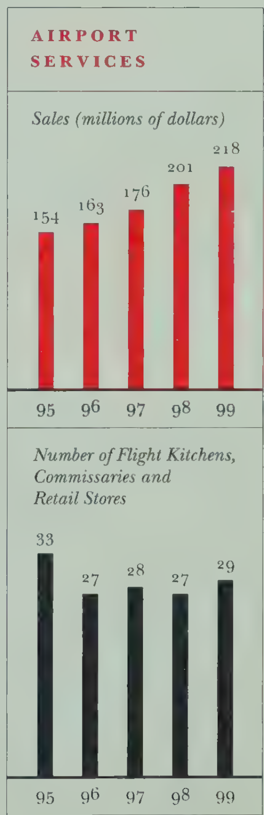
Like Cara*Flex*™, FOCUS represents another leap forward in our industry and will revolutionize the way we do business while firmly establishing the leadership of the internationally respected Cara brand.

LEADERSHIP INITIATIVES

People: We developed new training initiatives and realigned teammates' roles and responsibilities to maximize our Cara*Flex*™ processes and support our business process redesign. As well, we created cross-functional teams to manage major projects such as the implementation of our FOCUS process redesign at flight kitchens.

"It is always challenging for a clear market leader to generate profitable growth. We are meeting the challenge through continuous improvement."

Fred Cress



Airport Services (continued)

Products: We increased our menu development team during the year and worked closely with clients to provide greater meal variety and choice, responding to different passenger tastes and preferences. In-flight meals are becoming a greater competitive point of difference in air travel, and our new technologies will allow for even better response. In other product areas, we had a good start-up of our new retail store in the CN Tower in Toronto and we opened two new retail facilities at Pearson Airport – Kids Air.

Places: We made great progress in improving our Cara*Flex*™ continuous flow tray assembly process at four lines in Montreal and the two in Toronto. In the first year of our Cara*Flex*™ flight kitchen at Dorval Airport in Montreal, we accommodated the shift of a significant portion of our customer base from Mirabel Airport and realized increased cost efficiencies.

Partnerships: We continued to forge close partnerships with our clients to provide greater support to them as an integral part of their passenger service programs. We have not yet uncovered the right opportunity in our ongoing search for a beneficial strategic alliance with a major global player.

FOCUS FOR FISCAL 2000

We expect some slowdown or, at least, moderation of the pace of growth in air travel in the year ahead, leading to increased competition for our clients in the airline industry. Cost-cutting pressures in the industry are therefore likely to intensify.

With only moderate sales growth potential, we must seek out further efficiencies and productivity improvements to generate continued growth in earnings. In fiscal 2000 and 2001, we plan to:

- complete and implement our FOCUS business process redesign at our flight kitchens;
- take advantage of the planned relocation of our flight kitchen at Pearson to introduce Cara*Flex*™ technologies; a cross-functional team is getting this underway; and
- continue to seek out international opportunities and alliances to broaden our business base beyond Canada. This is an ongoing challenge as we are one of a small international elite.

TOP TO BOTTOM:
Harvey's airline meal for children >
International first class meal >
Working closely with major customers >

Beaver Foods

In the mature, competitive institutional catering business in 1999, Beaver Foods made market share and earnings gains, completed an acquisition and continued with our strategies to redefine institutional catering and create dining experiences that are competitive with retail locations.

As part of this process, we reimaged ourselves, creating a new look and logo that clearly brands us as a *Cara* company. As well, we acquired and integrated Vancouver-based Innovative Catering Lines, a leading western Canadian foodservices company with annualized sales of approximately $18 million. This has increased our presence to the #1 position in the key B.C. market.

Beaver increased sales by 2.4% to $250.6 million in fiscal 1999, despite severe winter storms that affected many facilities, labour disputes that affected Ontario high schools and a slump in the remote camp market which has suffered from the recessionary conditions in Canada's resource sector.

The growth in sales is attributable to the acquisition of Innovative Catering Lines of Vancouver in the third quarter and to gains in our other customer segments. Profitability is still below our target levels but we made progress in fiscal 1999 as a result of improvements in efficiencies and financial management systems.

Throughout fiscal 1999, we strengthened our position in Canada as the #1 provider of foodservices to the education segment (including high schools, colleges and universities) #1 in resource camps, and #2 in business and industry.

LEADERSHIP INITIATIVES

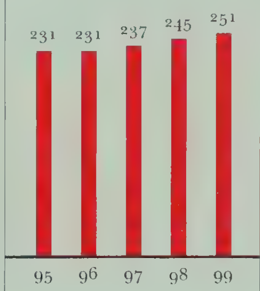
People: We integrated the management and 650 teammates of Innovative Catering in the latter half of the year. As well, we focused further on our distinct customer segments, bringing people together as focused cross-functional teams around each segment. In this way, we have been encouraging participation by all teammates in strategic development and targeted marketing activities in each area.

"We are making gains by focusing on our distinct market segments and enlivening institutional settings with retail concepts and branding approaches."

Dennis Logan

BEAVER FOODS

Sales (millions of dollars)



Number of Foodservice Operations

Beaver Foods (continued)

Products: In response to new dining trends, we continued to develop new menus and in-house brand concepts to meet changing tastes, adding to recent menus, additions such as sandwich wraps (where we quickly rolled out 34 different wraps) and launching a bakery concept, BB's Bakery. And, of course, we also continued to introduce popular Cara brands such as Swiss Chalet, Harvey's, Second Cup and Bread Garden and other brands in client facilities.

Places: With the acquisition of Innovative Catering Lines, we expanded our reach and opened up new opportunities in British Columbia. We completed 80 redevelopment projects during the year at locations across Canada (including 40 renovations of existing dining facilities and 40 installations at new clients), introducing more retail flair and creating more upscale dining facilities and food court approaches. A major redesign project at a dining hall at Bishop's University in Quebec has been extremely well received and will be a template for redesign projects moving forward.

Partnerships: Our internal partnership with Cara Restaurants continued to provide an important competitive advantage in meeting client and consumer needs with more retail and branding approaches, and we have been developing closer relationships with clients through our segmented team focus on each customer group.

FOCUS FOR FISCAL 2000

We expect to see a pick-up in remote camp activity with the gradual recovery of the resource sector and gains from new business acquired in fiscal 1999, but our operating environment remains challenging. Our priorities in fiscal 2000 are to:

- continue with reimaging and redesign campaigns, to add value to existing customers while generating higher sales per location;
- seek out new vending machine opportunities in partnerships with major suppliers;
- focus on profitability improvements through process improvements; and
- heighten our marketing efforts in each of the segments we serve with a sophisticated new business bidding process.

TOP TO BOTTOM:
Beaver Foods wraps >
New Beaver Foods
Brand positioning >
New, fresh cuisine choices >

Cara Health Services

The Cara Health Services Division was created in fiscal 1997, specifically to serve the rapidly growing health care market. At the time, we were responding to two distinct trends – the pressure on health care providers to reduce costs and outsource non-core services, and the demands on the health care industry due to aging of the population. Although the health care industry continued to grow in fiscal 1999, this growth was slowed as administrators faced uncertainty over funding.

Despite this change in momentum in the health care industry, Cara Health Services generated sales growth of 12.2% in fiscal 1999, exceeded financial targets, and gained new contracts. By year-end, Cara Health Services, operating in just three provinces, was Canada's third-largest provider of foodservices to hospitals and long-term care facilities. Most importantly, we demonstrated that we are the leader in innovation in our industry, a position that was reinforced when our new Cara*Flex*™ foodservice operation at Sunnybrook and Women's College Health Sciences Centre was recognized for excellence in "Raising the Bar: Creating a New Standard in Veterans Health Care" – a report by the Senate Subcommittee on Veterans Affairs.

LEADERSHIP INITIATIVES

People: Cara Health Services demonstrated its strong commitment to quality by being the first foodservice company to provide certification-based ServSafe training to all front-line staff – over 300 employees were certified in fiscal 1999. Additionally, we developed advanced training programs for the operation of our proprietary Cara*Flex*™ tray assembly system by hospital staff (including unionized staff in various settings).

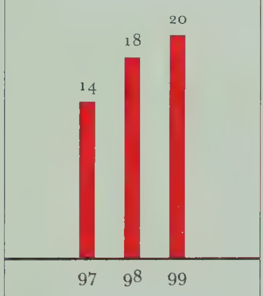
Products: To complement the Cara*Flex*™ tray assembly system, we developed Nutri*Flex*™ – a comprehensive menu system with fully outsourced meals for acute and long-term care patients. The Nutri*Flex*™ system of consumer-driven menus and products provides increased patient satisfaction at lower cost. Furthermore, the development of Nutri*Flex*™ has given us the distinction of being the only company whose menu and products are endorsed by Canada's leading suppliers of rethermalization equipment.

"As a Cara division and a leader in innovation, we are already making a substantial mark on the health care industry."

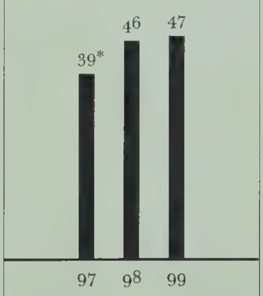
Ian Bell

CARA HEALTH SERVICES

Sales (millions of dollars)



Number of Foodservice Operations



*Unit count and sales prior to fiscal 1997 were accounted for in Beaver Foods.

Cara Health Services (continued)

Places: In patient meal services, we entered the final phase of construction of our Cara*Flex*™ cook-chill facility in Newfoundland, added new accounts in Ontario, and gained our first account in Quebec. The completion of the Health Care Corporation of St. John's facility will be a milestone for the division, demonstrating the unique ability of the Cara*Flex*™ system to efficiently serve multiple hospitals and long-term care facilities from a centralized plant.

Partnerships: As Cara's newest division, our success reflects our ability to forge strong partnerships with clients. By drawing upon the full resources of Cara, our staff are developing the innovative tailored solutions that progressive health care administrators seek. Breakthrough concepts like Cara*Flex*™ and Nutri*Flex*™, resulting from Cara's extensive research and development programs, have set new industry standards for cost-efficiency and patient satisfaction. Similarly, Cara's brand leadership and proven restaurant management capability have enabled our clients to accomplish their goals of eliminating cafeteria subsidies and generating new sources of income.

FOCUS FOR FISCAL 2000

With continued uncertainty over funding in the health care industry, we will develop long-term growth opportunities by capitalizing on our demonstrated ability to add value for our clients. During the year we will be:

- opening the Health Care Corporation of St. John's state-of-the-art Cara*Flex*™ cook-chill facility in the first quarter;
- launching the Nutri*Flex*™ line in all Cara health services;
- providing our clients access to a turnkey food management IT system; and,
- moving beyond the role of a traditional contract management company to become a complete foodservices resource for health care administrators. We will develop unique consulting partnerships with self-operated hospitals and long-term care facilities which will give the access for our proprietary systems, brands, and foodservice expertise.

TOP TO BOTTOM:

Providing exceptional service to Canada's war veterans >

Redefining hospital food for patients >

Cara*Flex*™ – Sunnybrook and Women's College Health Sciences Centre >

Summit

Summit Food Service Distributors increased its market position further in fiscal 1999, vying for position as the second largest food distributor in Ontario. Consolidation in the industry continued, but Summit made steady gains, building sales quarter by quarter with both internal and external clients and generating growth from all key customer segments in fiscal 1999.

Sales for the year were $252.8 million, up by 10.7% from fiscal 1998. The growth in sales was broadly based, with increased sales to existing clients, and the addition of significant new accounts, including Extendicare and LTC Group Purchasing in Ontario. Our restaurant business also achieved significant growth with new external accounts, growth within existing "street" customers and increased sales internally to Harvey's and Swiss Chalet. With the growth in sales and reductions in operating expenses, operating income increased by 13.9%.

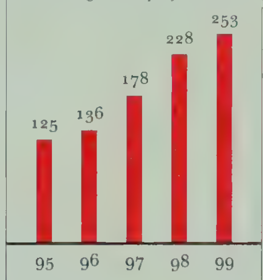
This success reflects our strategies for differentiating Summit in the food distribution industry through our focus on distributing recognized brands from national manufacturers – rather than generic products or private label brands – combined with leadership in technology and service.

"Our commitment to being the customer-preferred cost-efficient distributor – delivering recognized popular brands – is generating profitable growth."

Jack Battersby

SUMMIT FOOD SERVICE DISTRIBUTORS

Sales (millions of dollars)
(including intercompany sales)



LEADERSHIP INITIATIVES

People: We held sales conferences and business planning sessions with clients and suppliers to strengthen relationships. We continued with training initiatives including ongoing development of cross-functional teams and "work with" programs (where sales and service teammates work with drivers to gain mutual understanding and develop cooperative solutions).

Products: We continued to work with national brand manufacturers to source the selection of quality products required by our customers and to develop greater efficiencies in our warehousing and distribution systems.

Places: We focused on our core Ontario market – strengthening our "street" sales presence to independent hotels and restaurants throughout Southern and Eastern Ontario. We were not successful in securing satisfactory new capacity during the year, but we maximized the utilization of our existing facilities with ongoing enhancements to distribution management and inventory systems and ongoing upgrades to our fleet, maintaining our position as Canada's multi-temperature leader.

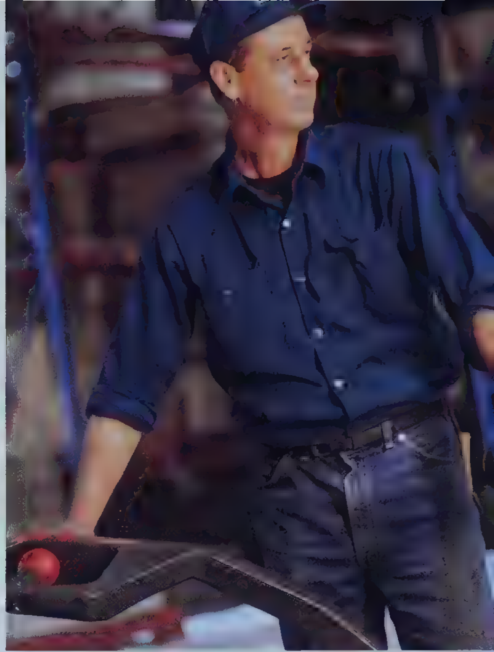
Summit (continued)

Partnerships: We maintained an intense focus on partnerships with customers and suppliers and continued to develop dedicated sales and service teams to better meet the needs of customers and to work with brand name food manufacturers on product development and purchasing programs.

FOCUS FOR FISCAL 2000

We expect consolidation and competition in our industry to continue in the year ahead but we expect further expansion in the restaurant industry to generate opportunities for growth. To build sales further in fiscal 2000, we plan to:

- focus further on marketing and sales, adding sales staff in key regions and continuing to develop customer segments – including promising growth markets such as the hotel and healthcare segments;
- add technology experts to maximize system efficiencies en route to being the most cost-efficient distributor of choice;
- seek out new capacity – an ongoing priority to maintain our growth pace;
- continue to review opportunities to acquire small local operations to increase capacity and market share in the consolidating distribution industry; and
- continue to forge strong partnerships with national brand suppliers and with internal and external customers to maintain our competitive differentiation.



TOP TO BOTTOM:
Teammate Ron in our state-of-the-art Ottawa warehouse and distribution centre >
Delivering products to a customer in Kitchener >
Storing brand-name products, Ottawa >

Strategic Partners – Second Cup and Spectra

In 1996, Cara made a strategic investment in The Second Cup Ltd., purchasing 35% of its shares and becoming the largest shareholder of that company as well as a strategic partner and significant operator. In fiscal 1998, we increased our investment to 39%. Second Cup is Canada's largest specialty coffee retailer.

Since the beginning of fiscal 1998, Cara has acquired approximately 36% of the voting and non-voting shares of The Spectra Group of Great Restaurants Inc. of British Columbia. Spectra is a network of branded restaurants based in Western Canada. Its operations include Bread Garden, a bakery café chain, and Milestone's, a casual dining restaurant chain. Both are strong regional brands in British Columbia. The first Milestone's restaurant in Ontario will open in North York this year.

We benefit in two ways through these alliances: in partnership in developing new restaurant and twinning opportunities and through our participation as investors.

As strategic allies, both Cara Restaurants and Cara Foodservices proceeded with a number of development opportunities with Second Cup and Spectra in fiscal 1999. We opened 21 new Second Cup outlets for a total of 83, primarily through ATR and Harvey's. And we opened a successful Milestone's restaurant at the Vancouver Airport and a Bread Garden at the University of British Columbia.

As investors, we saw a decline in equity earnings in fiscal 1999, primarily due to a 36% drop in Second Cup's earnings. Cara's share of after-tax equity earnings for the period March 8, 1998 to March 6, 1999 (before Cara's interest and taxes but after amortization) amounted to $1,439,000, compared to $2,602,000 in the prior year. As well, Spectra saw a slight decline in net earnings due to restaurant closure costs, although operating earnings improved. Cara's share in after-tax equity earnings (before Cara's interest and taxes but after amortization) amounted to $418,000, compared to $294,000 in the prior year. After a strong year in fiscal 1998 – and good growth in its Canadian operations in fiscal 1999 – Second Cup's results were dampened by the costs related with the integration of its U.S. operations. Just before our year-end, Second Cup announced the pending sale of the U.S. operations.

Recently, Second Cup has taken significant steps to improve shareholder value. Having arranged to sell its U.S. operations and refocus on its profitable Canadian operations, Second Cup announced, just after our year-end, a major share buyback program for up to 5 million shares (representing 35% of shares outstanding) at a cost of $16 per share, for a total cost of $80 million. We have agreed, along with the second largest shareholder of Second Cup (the Bregman family), to participate pro rata in the buyback in order to retain the same percentage ownership position. This transaction should be completed by July and will help strengthen our balance sheet and improve our cash position while strengthening Second Cup shareholder value.

TOP TO BOTTOM:
^ Second Cup
^ Milestone's

CARA'S ISSUER BID

As part of Cara's normal course issuer bid, we repurchased 1,897,400 Common Shares at an average price of $6.68 (representing approximately 4% of Common Shares) and 2,331,900 Class A Non-Voting Shares at an average price of $6.13 (4.5% of those shares) during fiscal 1999.

This bid followed a successful Substantial Issuer Bid completed in fiscal 1997, which had reduced shares outstanding by 17%. A further normal course issuer bid has been filed for fiscal 2000. Using capital to reduce outstanding shares has had a positive impact on book value, earnings and cash flow per share as well as return on equity.

FINANCIAL CONDITION

Cara maintained its sound financial position in fiscal 1999 while supporting a significant capital investment and acquisition program. This position is expected to continue in fiscal 2000. Total cash flow from operating activities excluding working capital movement amounted to $53.7 million versus $60.4 million in fiscal 1998. The cash generated has primarily been utilized in capital spending, business acquisition and share buyback.

- The current ratio (assets: liabilities) was unusually strong at 1.3:1 (FY 1998: 1:1) due to $42.9 million in cash and short-term investments held.
- Notwithstanding the increase in debt through the issuance of Medium Term Notes of $150 million, the equity to debt ratio is still strong at 1.4:1 compared to 2.5:1 in the previous year.
- Dividends paid during the year increased by 9% from 11 cents to 12 cents per share. The total amount paid out increased to $11.4 million from $10.8 million in fiscal 1998.
- Capital spending during the year amounted to $48 million versus $38 million in fiscal 1998. Additional capital spending of $1.5 million ($1.3 million in fiscal 1998) was financed by way of lease financing.
- $3.9 million was paid for a business acquisition (Innovative Catering Lines, Vancouver, B.C.) compared with $18.2 million last year for the equity position in The Spectra Group of Great Restaurants Inc., and additional shares in The Second Cup Ltd.

MEDIUM TERM NOTES

Cara's strong balance sheet and strong financial ratios allow the corporation relatively easy access to funding from financial markets. The corporation continues to rank as one of the highest-rated Canadian operators in the foodservice and hospitality industry and has ready access to debt markets at competitive rates. The testimony to Cara's financial credibility was crystallized in June 1998 when Cara's Offering of $100 million in Medium Term Notes through a Shelf Prospectus filed in March 1998, was oversubscribed by a ratio of almost 4 to 1. Through two additional offerings of $24 million and $26 million in October and December, 1998, respectively, the corporation raised an aggregate of $150 million. The senior unsecured Notes bear interest at 5.95% per annum and unless prepaid by the company, mature in June 2008. The purpose of issuing the Notes was to convert the floating-rate debt of $71 million to fixed-rate debt, and to finance, in part, the $48 million capital spending program. As at the year-end, the corporation had $42.9 million in cash and short-term investments.

INTEREST COSTS

Interest expense net of interest income of $1.7 million (FY 1998: $0.7 million) was $8.6 million compared to $5.8 million in fiscal 1998. The increase in interest expense was the result of (i) increase in long-term debt excluding obligations under capital leases and mortgages from $81 million last year to $159 million in fiscal 1999; (ii) increase in effective rate of interest from 4.2% in fiscal 1998 to 5.92% in the current year; and (iii) higher cash balances yielding lower return. Pre-tax earnings before restructuring charges covered interest 5.4 times and pre-tax earnings after restructuring charges, 3.9 times (FY 1998: 9.2 times). The company's plans are to ensure that it maintains its ability to fund future growth at competitive rates through the responsible use of funds.

INCOME TAXES

The effective income tax rate for fiscal 1999 was 41.8% compared to 40.2% in the prior year. Fiscal 2000 is expected to continue at this past year's level.

RISKS AND UNCERTAINTIES

As a corporation with a very strong cash flow position and a manageable debt load, and with most of our revenues based in Canada, Cara faces minimal currency risk and modest interest rate risk.

Our major risks are economic and market risk, as sales and profitability at our operations reflect consumer spending patterns and competition.

Each of our operations has strategies for profitable growth which should effectively manage these risks. The other major area of risk we face relates to food commodity pricing which we manage through competitive sourcing and our considerable combined purchasing power.

YEAR 2000 ISSUE

The corporation has effected a comprehensive program to address Year 2000 readiness both internally, and externally with suppliers and with customers. The Year 2000 issue arises because many computerized systems use two digits rather than four digits to identify a year. Consequently, date-sensitive systems may recognize activities with the Year 2000 as 1900 or some other date, resulting in errors or malfunctions. In addition, similar problems may arise in operating equipment which relies on date-sensitive microchips to start and stop. This in turn, could lead internally to interruption in services to our customers. Notwithstanding Cara's Year 2000 preparedness, there remains the external risk from our suppliers and customers.

To prepare for the transition into the next millennium, Cara created, from both its corporate and operating sectors, Year 2000 coordinating and project teams. Their purpose was and is to assess and evaluate potential problems with internal systems and equipment and with suppliers and customers and to effect remedies as and where appropriate. These remedies include replacing and or updating non-compliant systems and equipment and subsequently creating and using Year 2000 test environments to verify compliancy of the systems and equipment in place.

To date, the corporation has reviewed and made ready the bulk of its internal systems and operating equipment with the remainder slated for completion by the end of July, this year. In certain instances, the corporation chose to upgrade to superior software and/or equipment that enabled it to improve, long-term, its business operations and provide room for future growth. In addition, key external customers and suppliers were identified and contacted to obtain information on the status of their Year 2000 readiness activities. For certainty, contigency operating plans are in the process of being developed to cover the risk of potential problems that may occur, for whatever reason, in key operating areas.

Of the total capital expenditures this past year amounting to $48 million, Information Technology accounted for $6.9 million with direct and indirect Year 2000 costs amounting to $3.2 million. For the coming fiscal year, Information Technology will account for $20 million on a total capital expenditure program of $109 million with direct and indirect Year 2000 costs amounting to $1.4 million. Dependant on the nature of the expenditure, costs are expensed, deferred and/or capitalized in accordance with the corporation's accounting policies.

Best efforts notwithstanding, it is not possible for the corporation to be certain that all aspects of the Year 2000 Issue that may impact on it, including those relating to its suppliers, customers and other third parties, will be fully resolved before the beginning of the new millennium. However, based on its current assessment, the corporation believes that the Year 2000 Issue is well in hand and will not have a materially adverse impact on its future results.

OUTLOOK

Economic forecasts call for continued growth in Canada for the year ahead, but we do not expect a significant increase in consumer spending. Thus, we expect the market conditions experienced in the past year to continue – with competitive challenges in restaurant markets and institutional catering markets.

Both Groups, and the businesses within each group, have the strategies and strengths to achieve profitable growth in this environment.

At Cara Restaurants, we expect to see continued gains at Swiss Chalet, a substantial rebound at Harvey's and a shift in priorities from expansion to profitability at ATR. We also anticipate earnings improvements at both of our strategic partners.

For Cara Foodservices, we expect moderate growth in revenues from existing operations and we anticipate further gains in operating margins and profitability from efficiencies and productivity improvements.

At the corporate level, we will continue to seek out opportunities to implement our core strategies of focusing the organization, building market share, twinning and multi-brand bundling approaches, pursuing strategic alliances and acquisitions and entering new markets. With our solid financial position, we remain well placed to pursue attractive acquisition opportunities as and when they arise.

We expect Second Cup to complete its share repurchase offer by the end of June and we expect to complete the acquisition of a control position in Kelsey's International Inc. in early July 1999.

We expect Cara to generate improved returns to shareholders in fiscal 2000 while creating new value through our brand leadership initiatives. We are back on track toward our goal of improving return on equity by fiscal 2001.

Quarterly Financial Data – Unaudited

In thousands of dollars, except for share data and market share prices

	1st	2nd	3rd	4th	Total
For the Year Ended March 28, 1999					
Systems Sales					
Restaurants	$ 146,818	$ 151,270	$ 152,449	$ 190,332	$ 640,869
Foodservices	138,540	129,124	152,699	184,818	605,181
	$ 285,358	$ 280,394	$ 305,148	$ 375,150	$ 1,246,050
Gross Revenue					
Restaurants	$ 38,819	$ 40,848	$ 41,801	$ 58,316	$ 179,784
Foodservices	157,661	147,347	172,074	208,024	685,106
	$ 196,480	$ 188,195	$ 213,875	$ 266,340	$ 864,890
Operating Income (Before Restructuring)					
Restaurants	$ 9,950	$ 8,753	$ 8,489	$ 7,731	$ 34,923
Foodservices	6,417	5,891	9,200	10,193	31,701
	$ 16,367	$ 14,644	$ 17,689	$ 17,924	$ 66,624
Net Earnings Before Restructuring	$ 7,014	$ 6,311	$ 8,182	$ 6,722	$ 28,229
Net Earnings (Loss) After Restructuring	$ 7,014	$ (2,927)	$ 8,182	$ 6,722	$ 18,991
Earnings per Share Before Restructuring (cents)	7.2	6.5	8.6	7.2	29.5
Earnings per Share After Restructuring (cents)	7.2	(3.1)	8.6	7.2	19.9
Market Share Prices					
Voting	$ 6.50	$ 5.50	$ 4.80	$ 6.00	
Class A Non-voting	$ 6.50	$ 5.50	$ 4.75	$ 4.65	

	1st	2nd	3rd	4th	Total
*For the Year Ended March 29, 1998**					
Systems Sales					
Restaurants	$ 144,247	$ 148,928	$ 149,408	$ 186,408	$ 628,991
Foodservices	127,586	120,791	142,596	174,252	565,225
	$ 271,833	$ 269,719	$ 292,004	$ 360,660	$ 1,194,216
Gross Revenue					
Restaurants	$ 37,849	$ 39,035	$ 39,000	$ 49,172	$ 165,056
Foodservices	144,140	138,288	161,205	198,238	641,871
	$ 181,989	$ 177,323	$ 200,205	$ 247,410	$ 806,927
Operating Income**					
Restaurants	$ 10,526	$ 11,320	$ 10,516	$ 11,680	$ 44,042
Foodservices	5,320	5,706	7,985	8,174	27,185
	$ 15,846	$ 17,026	$ 18,501	$ 19,854	$ 71,227
Net Earnings for the Year	$ 6,868	$ 8,271	$ 9,804	$ 10,084	$ 35,027
Earnings per Share (cents)	7.0	8.5	10.0	10.2	35.7
Market Share Prices					
Voting	$ 5.05	$ 5.40	$ 7.00	$ 7.20	
Class A Non-voting	$ 5.00	$ 5.50	$ 6.90	$ 7.20	

* Includes Discontinued Operations.

** Prior year's Operating Income amounts have been restated to conform with the current year's presentation.

Auditors' Report

To the Shareholders of Cara Operations Limited

We have audited the consolidated balance sheets of Cara Operations Limited as at March 28, 1999 and March 29, 1998 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 28, 1999 and March 29, 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants
Toronto, Canada
May 19, 1999

Consolidated Balance Sheets

As at March 28, 1999 and March 29, 1998

In thousands of dollars	1999	1998
ASSETS		
Current Assets		
Cash	$ 42,902	$ 3,200
Accounts receivable (net of reserve for bad debts)	65,682	69,732
Inventories	21,629	20,775
Prepaid expenses and other assets	3,171	3,546
Future income taxes (note 8)	3,938	2,277
Current portion of Long-Term Receivables (note 2)	1,830	2,040
	$ 139,152	$ 101,570
Long-Term Receivables (note 2)	16,073	16,989
Property, Plant and Equipment (note 3)	249,808	228,655
Goodwill and Other Assets (note 4)	67,432	66,007
Future Income Taxes (note 8)	6,339	2,613
Equity Investments (note 5)	82,307	80,214
	$ 561,111	$ 496,048
LIABILITIES		
Current Liabilities		
Accounts payable and accrued charges	$ 91,319	$ 88,679
Provision for restructuring costs (note 14)	9,100	–
Income taxes	638	5,306
Current portion of long-term debt (note 6)	4,389	6,322
	$ 105,446	$ 100,307
Unearned Income on Sale of Franchises	702	1,583
Long-Term Liabilities (notes 12 and14)	11,083	7,200
Long-Term Debt (note 6)	177,824	102,126
Future Income Taxes (note 8)	17,777	17,172
	$ 312,832	$ 228,388
SHAREHOLDERS' EQUITY		
Capital Stock (note 7)	$ 30,913	$ 32,264
Retained Earnings	217,366	235,396
	$ 248,279	$ 267,660
	$ 561,111	$ 496,048

Approved on behalf of the Board

M. BERNARD SYRON
Chairman of the Board

GABRIEL TSAMPALIEROS
President and Chief Executive Officer

Consolidated Statements of Earnings and Retained Earnings

For the years ended March 28, 1999 and March 29, 1998

In thousands of dollars	1999	1998
GROSS REVENUE	$ 864,890	$ 801,202
Earnings before the following:	$ 81,462	$ 84,743
Amortization of property, plant and equipment	23,803	20,685
Amortization of goodwill and other assets	4,129	3,771
Long-term interest expense, net of interest income of $1,673 (1998 – $733)	8,600	5,821
Restructuring costs (note 14)	15,500	–
Earnings before income taxes, equity earnings and discontinued operations	29,430	54,466
Provision for income taxes (note 8)	(12,296)	(21,925)
Earnings before equity earnings and discontinued operations	17,134	32,541
Equity earnings (net of amortization of $706 (1998 – $671)) (note 5)	1,857	2,896
Earnings from continuing operations	18,991	35,437
Discontinued operations – net of tax (note 11)	–	(410)
Net earnings for the year	$ 18,991	$ 35,027
Retained Earnings – Beginning of Year	235,396	211,217
Share repurchase in excess of book value (note 7)	(25,578)	(24)
Dividends	(11,443)	(10,824)
Retained Earnings – End of Year	$ 217,366	$ 235,396
Earnings per share from continuing operations		
Basic	19.9¢	36.1¢
Fully diluted	19.7¢	35.4¢
Net earnings per share		
Basic	19.9¢	35.7¢
Fully diluted	19.7¢	35.0¢

Consolidated Statements of Cash Flows

For the years ended March 28, 1999 and March 29, 1998

In thousands of dollars	1999	1998
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Earnings from continuing operations	$ 18,991	$ 35,437
Adjustments for:		
Amortization of property, plant and equipment	23,803	20,685
Loss on disposal of property, plant and equipment	858	906
Amortization of goodwill and other assets	4,129	3,771
Future income taxes	(4,782)	2,114
Equity earnings	(1,857)	(2,896)
Restructuring costs	12,183	–
Change in franchise notes	(220)	(747)
Change in investments	(236)	128
Change in pension liability	800	1,000
Change in non-cash operating working capital (note 15)	1,868	5,488
Cash flows from continuing operations	$ 55,537	$ 65,886
Discontinued operations	–	(938)
	$ 55,537	$ 64,948
INVESTING ACTIVITIES		
Purchase of property, plant and equipment (note 15)	$ (45,166)	$ (31,681)
Proceeds on disposal of property, plant and equipment	1,657	664
Purchase of goodwill and other assets	(2,792)	(6,309)
Change in mortgages and notes	(582)	(172)
Repayment of Employee Stock Plan Loans	1,047	3,303
Business Acquisition (note 15)	(3,898)	(18,169)
Discontinued operations	–	1,240
	$ (49,734)	$ (51,124)
FINANCING ACTIVITIES		
Share repurchase	$ (1,389)	$ (2)
Share repurchase in excess of book value	(25,578)	(24)
Proceeds from issuance of long-term debt, net of issuance costs	149,377	11,000
Repayment of capital lease obligations	(6,000)	(3,703)
Repayment of long-term debt	(71,106)	(15,685)
Dividends paid	(11,443)	(10,824)
Issuance of capital stock	38	5,308
	$ 33,899	$ (13,930)
NET CHANGE IN CASH	39,702	(106)
CASH – BEGINNING OF YEAR	3,200	3,306
CASH – END OF YEAR	$ 42,902	$ 3,200

Notes to Consolidated Financial Statements

For the years ended March 28, 1999 and March 29, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. While management has used its best efforts to reasonably assess judgmental issues at a point in time, actual results could differ from those estimates.

(b) These consolidated financial statements include the accounts of Cara Operations Limited and all its subsidiary corporations.

(c) Long-term investments in which the Corporation has significant influence, but not control, are accounted for by the equity method.

(d) The Corporation accounts for income taxes using the asset and liability method, which requires recognition of future income tax assets and liabilities for the expected future income tax consequences of events that have been included in the financial statements or income tax returns using current income tax rates.

Future tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment or substantive enactment.

(e) Inventories are valued at the lower of cost using the first-in, first-out method, and net realizable value.

(f) Property, plant and equipment are stated at cost. Interest costs incurred on assets constructed over time are capitalized as part of the cost. Buildings are amortized on the reducing balance method at 5% annually. Equipment owned and equipment under capital leases are amortized primarily on the reducing balance method at annual rates ranging from 5% to 30%.

(g) Leasehold improvements are stated at cost and are amortized on the straight-line method over the term of the lease plus the first renewal, if appropriate.

(h) Goodwill arising on business acquisitions is amortized on a straight-line basis over periods ranging from 20 to 40 years. The recoverability of goodwill is assessed annually. An impairment in the value of goodwill would be recognized if estimated undiscounted future cash flows generated by acquired businesses are determined to be insufficient to recover goodwill.

(i) Food catering contracts and trademarks are recorded at the date of acquisition at their allocated cost and are amortized on a straight-line basis over periods ranging from 4 to 20 years.

(j) Costs and discounts incurred in connection with the issuance of the Medium Term Notes are deferred and amortized on a straight-line basis over the life of the notes.

(k) Income on the sale of franchises is recognized when it is considered earned. Revenues from services are recognized as services are rendered.

(l) The Corporation's fiscal year-end falls on the Sunday closest to March 31st.

(m) The carrying amount of financial assets and liabilities approximate their fair value, except as otherwise disclosed in these financial statements.

2. LONG-TERM RECEIVABLES

In thousands of dollars	1999	1998
Franchise Licence Notes (i)	$ 4,229	$ 4,890
Mortgages and Notes (ii)	8,116	7,534
Employee Stock Plan Loans (iii)	5,558	6,605
	17,903	19,029
Less: Current portion of Long-Term Receivables	1,830	2,040
	$ 16,073	$ 16,989

(i) Franchise Licence Notes

The notes bear interest at 12% and are receivable over periods ranging from 1 to 20 years. These are open for prepayment without penalty.

(ii) Mortgages and Notes

The mortgages and notes bear interest at rates ranging between 2% and 12% and are receivable over periods ranging from 1 to 25 years. These are open for prepayment without penalty.

(iii) Employee Stock Plan Loans

In prior years, the Corporation made non-interest bearing loans to certain employees for the purchase, through trustees, of outstanding Class A non-voting shares of the Corporation. These loans are being repaid over the next four years. Class A shares used as security for the loans have a market value of $6.7 million (1998 – $12 million) as at the fiscal year-end. The loans include amounts due from eight officers of the Corporation aggregating $2.8 million for 723,000 shares (1998 – $3.2 million for 833,000 shares).

3. PROPERTY, PLANT AND EQUIPMENT

In thousands of dollars	Cost	Accumulated Amortization	1999 Net	Cost	Accumulated Amortization	1998 Net
Land	$ 28,839	$ –	$ 28,839	$ 28,927	$ –	$ 28,927
Buildings	80,417	33,557	46,860	81,975	31,884	50,091
Equipment	187,769	75,074	112,695	161,150	64,007	97,143
Leasehold improvements	60,336	20,943	39,393	43,742	17,571	26,171
Equipment under capital leases	33,477	11,456	22,021	37,363	11,040	26,323
	$ 390,838	$ 141,030	$ 249,808	$ 353,157	$ 124,502	$ 228,655

Included in the cost of property, plant and equipment is construction in progress amounting to $16.7 million (1998 – $8.6 million). Interest in the amount of $0.3 million (1998 – $0.3 million) has been capitalized during the year.

4. GOODWILL AND OTHER ASSETS

In thousands of dollars	Cost	Accumulated Amortization	1999 Net	Cost	Accumulated Amortization	1998 Net
Goodwill	$ 73,264	$ 21,921	$ 51,343	$ 72,789	$ 19,988	$ 52,801
Contracts and Trademarks	21,723	6,957	14,766	18,806	6,190	12,616
Financing Costs	941	54	887	–	–	–
Other Assets	736	300	436	724	134	590
	$ 96,664	$ 29,232	$ 67,432	$ 92,319	$ 26,312	$ 66,007

5. EQUITY INVESTMENTS

The Corporation has equity interests of approximately 39% and 36% in The Second Cup Ltd. and The Spectra Group of Great Restaurants Inc., respectively. The excess of the original cost over the net book value of the assets of these companies amounted to $28.1 million. This difference comprises principally goodwill which is being amortized over 40 years.

Accumulated amortization as at March 28, 1999 amounted to $1.9 million (1998 – $1.2 million).

6. LONG-TERM DEBT

In thousands of dollars	1999	1998
Medium Term Notes (i)	$ 149,377	$ –
Bankers' Acceptances (ii)	10,000	81,000
Obligations under Capital Leases (iii)	22,831	27,337
Mortgages	5	111
	$ 182,213	$ 108,448
Less: Current Portion	4,389	6,322
	$ 177,824	$ 102,126

(i) Unsecured Medium Term Notes ("Notes") with a face value of $150 million bear interest at 5.95% per annum paid semi-annually in arrears on December 12 and June 12 and unless prepaid fall due in June 2008. The Notes have been issued under a trust indenture. The Notes are net of a discount on issuance in the amount of $0.6 million.

(ii) Bankers' Acceptances are unsecured and have been issued under non-revolving arrangements due May 2001. During the year, the average effective rate of interest was 5.5% (1998 – 4.2%). This non-revolving arrangement will be renegotiated and/or repaid as it falls due.

(iii) Obligations under capital leases bear interest at an average rate of 8.1% (1998 – 8.1%) per annum; equipment under capital leases having an aggregate net book value of $22 million (1998 – $29 million) is pledged.

Repayments of principal planned and/or required over the next five years are as follows:

In thousands of dollars	
2000	$ 4,389
2001	4,125
2002	14,003
2003	4,056
2004	4,159
Thereafter	151,481
	$ 182,213

7. CAPITAL STOCK

The Corporation's authorized capital stock consists of an unlimited number of Common shares, Class A non-voting shares and Preference shares issuable in series. Shares issued are set out below:

In thousands of dollars, except for number of shares	Class A Non-voting No. of Shares	Stated Amount	Common No. of Shares	Stated Amount
Balance at April 1, 1997	52,926,954	$ 20,559	44,884,520	$ 6,399
Repurchase of shares under normal course issuer bid	(2,000)	(1)	(2,600)	(1)
Warrants exercised	1,000,000	5,080	–	–
Options exercised	52,000	228	–	–
Balance at March 29, 1998	53,976,954	$ 25,866	44,881,920	$ 6,398
Repurchase of shares under normal course issuer bid	(2,331,900)	(1,119)	(1,897,400)	(270)
Options exercised	8,500	38	–	–
Balance at March 28, 1999	**51,653,554**	**$ 24,785**	**42,984,520**	**$ 6,128**

Total capital stock amounted to $30,913,000 (1998 – $32,264,000).

Class A Non-Voting Shares – Share Options and Warrants

The Corporation has approved 4,044,600 shares for possible issuance under the Executive Stock Option Plan, of which 1,738,350 shares remain available.

Options granted in fiscal 1996 vested 20% upon issuance with a further 20% vesting on the first through fourth anniversaries of the date of grant. These options expire if unused after 10 years. Options granted in fiscal 1997 and fiscal 1998 vest 25% upon each of the first through fourth anniversaries of the date of the grant, unexercised options expire 10 years from the date of grant. Options granted in fiscal 1999 vest in three equal tranches on each of the first through third anniversaries of the date of grant, provided that in order for the options to vest the Corporation's Class A non-voting shares must have traded on the Toronto Stock Exchange or the Montreal Exchange at no less than $8.75 per share, for 30 consecutive days, at any time between the date of grant and the date of exercise. These options expire, if unused after five years.

Warrants issued in fiscal 1991 are fully vested and expire, if unused, after 10 years.

Year of Grant	Exercise Price Range	Outstanding	Exercised in Fiscal 1999
Share Options			
Fiscal 1996	$ 4.35	1,048,000	6,000
Fiscal 1997	$ 4.11 to $ 4.55	634,900	–
Fiscal 1998	$ 4.70	57,500	2,500
Fiscal 1999	$ 7.00	505,350	–
		2,245,750	8,500
Share Warrants			
Fiscal 1991	$ 5.08	1,250,000	–

Normal Course Issuer Bid

On May 19, 1999, the Corporation filed with the Toronto and Montreal Stock Exchanges a Notice of Intention to make a Normal Course Issuer Bid permitting the Corporation to purchase through the facilities of the Exchanges up to a total of 2,149,225 Common shares and 2,577,500 Class A non-voting shares. This represents approximately 5% of the outstanding Common shares and Class A non-voting shares.

8. INCOME TAXES

The Corporation's effective income tax rate on continuing operations is:

Percentage	1999	1998
Statutory corporate income tax rate		
Federal	28.9%	29.1%
Provincial	15.3	15.3
Manufacturing and processing allowance	(4.5)	(4.4)
Non-deductible amortization of goodwill	1.3	0.9
Other	0.8	(0.7)
	41.8%	40.2%

Significant components of future income taxes are as follows:

In thousands of dollars	1999	1998
Future Income Tax Assets		
Liabilities and reserves	$ 9,826	$ 4,696
Other	451	194
	$ 10,277	$ 4,890
Future Income Tax Liabilities		
Property, plant and equipment	$ 16,591	$ 15,376
Other	1,186	1,796
	$ 17,777	$ 17,172
Net Future Income Tax Liability	$ 7,500	$ 12,282

9. BUSINESS ACQUISITIONS

(a) 1999 Acquisitions

Innovative Catering Lines ("ICL")

Effective July 6, 1998, the Corporation through its wholly owned subsidiary, Beaver Foods Limited, acquired the assets and catering contracts of ICL for aggregate cash consideration of $3,972,000. The purchase price was allocated to assets acquired $1,413,000; liabilities $203,000 and the residual was allocated to contracts $2,762,000 and is being amortized over 20 years.

(b) 1998 Acquisitions

(i) The Spectra Group of Great Restaurants Inc.

Effective April 22, 1997, the Corporation acquired approximately 2,500,000 shares of The Spectra Group of Great Restaurants Inc. ("Spectra"). In connection with this transaction the Corporation was also granted warrants, which if exercised would increase the Corporation's ownership to approximately 36%. On March 26, 1998, the Corporation exercised the aforementioned warrants and acquired approximately 2,000,000 non-voting and 500,000 voting shares of Spectra.

The aggregate cash consideration for those acquisitions was $12,000,000. The excess of the aggregate cost over the fair value of the net tangible and identifiable intangible assets of this investment amounted to $2,500,000 and is being amortized over a term of 40 years.

(ii) The Second Cup Ltd.

The Corporation purchased through a series of transactions, 610,300 shares of The Second Cup Ltd. bringing its ownership in The Second Cup Ltd. to 37.8% on a fully diluted basis and to 39.3% on an undiluted basis. The aggregate cash consideration for this acquisition was $6,200,000 of which $1,900,000 was allocated to goodwill which is being amortized over a term of 40 years.

10. RELATED PARTY TRANSACTIONS

1998 Acquisitions

The Nominating and Governance Committee of the Board of Directors of the Corporation recommended and the full Board approved the acquisition of two Harvey's franchised restaurant locations from a Company and Limited Partnership owned, wholly or in part, by a Trust in which the President and Chief Executive Officer of the Corporation has a beneficial interest. The acquisition was completed on August 18, 1997 for aggregate cash consideration of $1,500,000 of which $800,000 was allocated to goodwill to be amortized over 40 years.

The purchase price of these acquisitions represented management's best estimate of the current value of the branded franchised restaurant locations based on internal valuations and other similar transactions. The transactions have been recorded at the exchange amount being the consideration established and agreed to by the related parties.

11. 1998 DISCONTINUED OPERATIONS

Effective January 26, 1998, the Corporation sold the assets of its only hotel, operating under license as a Days Inn, for aggregate cash consideration of $1,240,000. This was accounted for as a discontinued operation. The results of operations up to the measurement date included Gross Revenue of $5,725,000 and a loss of $56,000 after an income tax recovery of $38,000. The loss on disposal was $354,000 after an income tax recovery of $236,000.

12. PENSION PLANS

(a) The aggregate present value of accumulated pension benefits for all defined benefit pension plans was $15.4 million (1998 – $13.8 million) and the market-related value of the pension funds' assets available to provide for those benefits as of March 28, 1999 was $16.4 million (1998 – $14.9 million).

(b) The Corporation has entered into agreements with most present and past executive officers to provide for supplementary retirement allowances. An aggregate liability of $8.0 million (1998 – $7.2 million) determined on an actuarial basis has been accrued in the financial statements as at year-end, in respect of these agreements.

13. OPERATING LEASE COMMITMENTS

Minimum rentals under leases (excluding rentals based on sales) net of related recoveries from sub leases to franchisees (principally for a term of five years) in the normal course of business are approximately:

In thousands of dollars	Gross	Subleases	Net
2000	$ 23,611	$ 8,575	$ 15,036
2001	22,317	2,450	19,867
2002	19,784	2,021	17,763
2003	18,160	1,508	16,652
2004	15,247	151	15,096
Thereafter	76,910	1,154	75,756
	$ 176,029	$ 15,859	$ 160,170

14. RESTRUCTURING COSTS

During the second quarter of fiscal 1999, the Corporation recorded a $15.5 million pre-tax restructuring charge ($9.3 million after tax) for the closure of 71 underperforming and/or redundant Harvey's restaurants. This plan, implemented during fiscal 1999, will continue in fiscal 2000 and culminate in 2001 as existing franchise and lease agreements expire and/or are terminated and the Corporate-owned real estate is sold.

The charge included $7.9 million for the writedown of property, plant, equipment and other assets after considering proceeds from disposal and $7.6 million for additional costs associated with the closure of these locations. At March 28, 1999, property, plant and equipment with a net book value of $4.7 million are held for disposal.

As at March 28, 1999, 23 locations have been closed. The liability as at year-end is $12.2 million of which $3.1 million is disclosed as a long-term liability.

15. CASH FLOWS

Net Change in Non-Cash Working Capital

In thousands of dollars	1999	1998
The changes in non-cash working capital components, net of the effects of acquisitions of businesses are as follows:		
Change in accounts receivable	$ **4,080**	$ (14,840)
Change in inventories	**(396)**	(796)
Change in prepaid expenses	**415**	344
Change in accounts payable and accrued charges	**2,437**	13,228
Change in income taxes	**(4,668)**	7,552
	$ **1,868**	$ 5,488

Property, Plant and Equipment

During the year, property, plant and equipment were acquired at an aggregate cost of $46.7 million (1998 – $33.0 million) of which $1.5 million (1998 – $1.3 million) was acquired by means of capital leases. Cash payments of $45.2 million (1998 – $31.7 million) were made to purchase property, plant and equipment.

Business Acquisition

A total of $0.1 million of cash was acquired as part of the acquisition of Innovative Catering Line ("ICL").

16. SEGMENTED INFORMATION

The Corporation adopted The Canadian Institute of Chartered Accountants recommendations for Segment Disclosures which recommends the use of the "management approach". This approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Corporation's reportable segments.

The Corporation operates as two groups; the "Restaurant Group" comprising branded restaurants and the "Foodservices Group" comprising airline and institutional catering and related services. The Corporation operates predominantly in Canada.

Transactions between groups are conducted on normal commercial terms. These transactions are eliminated in computing consolidated revenue and income. General corporate costs, interest, taxation, equity earnings and discontinued operations are not included in the determination of segment income. Equity investments are not included in the determination of segment assets.

In thousands of dollars	1999 Restaurant	1999 Foodservices	1999 Other	1999 Total
External Gross Revenue	$ 179,784	$ 685,106	$ –	$ 864,890
Intersegment Revenue excluded from above	–	56,782	–	56,782
Amortization of property, plant and equipment	13,235	8,604	1,964	23,803
Amortization of goodwill and other assets	125	2,629	1,375	4,129
Restructuring costs	15,500	–	–	15,500
Earnings before income taxes, equity earnings, and discontinued operations	19,423	31,701	(21,694)	29,430
Total Assets	204,246	193,851	163,014	561,111
Purchase of property, plant and equipment	26,822	10,687	9,151	46,660
Purchase of goodwill and other assets	454	4,159	941	5,554

In thousands of dollars	1998 Restaurant	1998 Foodservices	1998 Other	1998 Total
External Gross Revenue	$ 165,056	$ 641,871	$ –	$ 806,927
Revenues from discontinued operations	(5,725)	–	–	(5,725)
Total revenues	$ 159,331	$ 641,871	$ –	$ 801,202
Intersegment Revenue excluded from above	$ –	$ 50,321	$ –	$ 50,321
Amortization of property, plant and equipment	12,722	6,681	1,282	20,685
Amortization of goodwill and other assets	173	2,351	1,247	3,771
Earnings before income taxes, equity earnings, and discontinued operations	44,138	27,185	(16,857)	54,466
Total Assets	193,605	203,361	99,082	496,048
Purchase of property, plant and equipment	20,443	9,296	3,286	33,025
Purchase of goodwill and other assets	811	5,498	–	6,309

The Corporation has one customer who individually represents 10% or more of gross revenue. This customer represents 14.0% (1998 – 14.3%) of gross revenue, and 9.7% of system sales (1998 – 9.7%). This customer is reported in the Foodservices segment.

17. YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

18. COMPARATIVE AMOUNTS

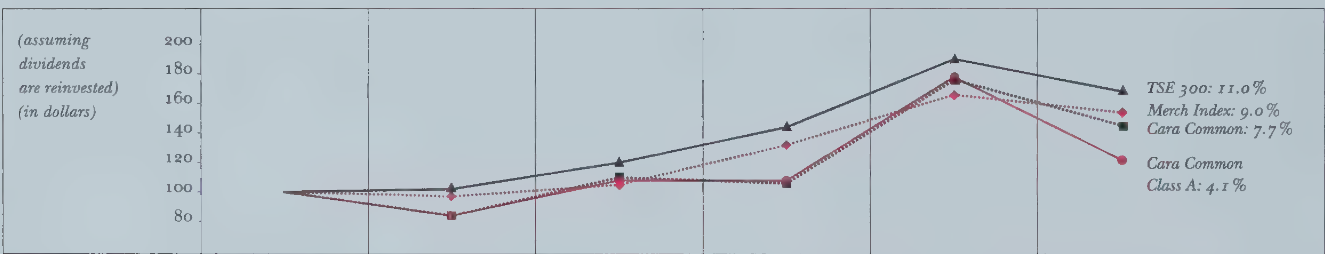
Certain comparative amounts have been reclassified to conform with the current year's presentation.

Seven-Year Financial Highlights

In thousands of dollars, except for share data	**1999**	1998	1997	1996	1995	1994	1993
System Sales	**$ 1,246,050**	$ 1,194,216*	$ 1,097,184*	$ 1,312,520*	$ 1,335,688*	$ 1,252,792*	$ 1,191,451*
Gross Revenue	**864,890**	806,927*	719,125*	909,305*	908,889*	821,906*	781,441*
Net Earnings Before Restructuring	**28,229**	35,027	30,369	37,411	26,844	30,754	30,492
Net Earnings After Restructuring	**18,991**	35,027	30,369	37,411	26,844	30,754	30,492
Net Earnings per Share Before Restructuring (¢)	**29.5**	35.7	30.1	31.8	22.9	26.2	26.0
Net Earnings per Share After Restructuring (¢)	**19.9**	35.7	30.1	31.8	22.9	26.2	26.0
Dividends per Share (¢)	**12.0**	11.0	10.0	9.0	8.0	8.0	8.0
Shareholders' Equity	**248,279**	267,660	238,175	319,659	291,317	273,868	252,509
Long-term Debt and Notes	**182,213**	108,448	115,492	49,249	89,548	101,875	92,477
Shares Outstanding (000's)	**94,638**	98,859	97,811	117,811	117,432	117,432	117,432

*Includes discontinued operations – 1998 and prior (Days Inn), 1996 and prior (Grand & Toy).

Comparative Five-Year Cumulative Return on $100 Invested



	1994	1995	1996	1997	1998	1999
▲ *TSE 300*	100	102	120	144	190	168
◆ *Merch Index*	100	97	105	132	166	154
■ *Cara Common*	100	84	110	106	176	145
● *Cara Common Class A*	100	84	108	108	178	122

Corporate Governance/The Board of Directors

Responsible corporate governance continues to be a matter of significant importance for the Board of Directors of Cara Operations. The Board endorses the guidelines adopted by both the Toronto Stock Exchange and the Montreal Stock Exchange regarding governance of public corporations. The Nominating and Governance Committee of the Board conducts an ongoing review of Cara's governance practices and ensures that these efforts are communicated to shareholders through extensive disclosure in the Information Circular related to the Annual Meeting of Shareholders. Members of the Board of Directors of Cara Operations are:

WILLIAM A. CORBETT
(A,H,N)
Chairman
The New Providence Development Company Limited
Director: CFM Majestic Inc.; Swiss Reinsurance Company Canada; Swiss Re Life & Health Canada; and Windfields Farm Limited

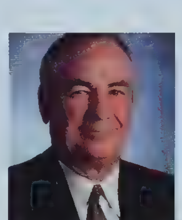
WILLIAM A. FARLINGER
(A,H,N)
Chairman
Ontario Power Generation Inc.
Director: Laidlaw Inc.; Manulife Financial; Newcourt Credit Group

ROBERT W. MARTIN
(A,H,N)
Corporate Director
Director: HSBC – of Canada; Enbridge Inc., Aon Reed Stenhouse; York University; Boys and Girls Clubs of Canada; Toronto Symphony Orchestra

GUNTER B. OTTO
(H,P)
Business Consultant
Volunteer Advisor
Canadian Executive Service Overseas

H. GAIL REGAN
Ph.D., M.B.A. (A,P)
Vice Chair of the Board
President of Cara Holdings
Chair: Energy Probe Foundation
Director: Council for Canadian Unity

J. MICHAEL ROBBINS
(H,N,P)
Principal: The Tourism Company
Partner: Slingshot Marketing Group; Miro Ventures Inc.;
Director: Smart Risk Foundation



M. BERNARD SYRON
Chairman of the Board
Director: The Second Cup Ltd.; The Spectra Group of Great Restaurants Inc.; St. Michael's Hospital; Ontario Hydro Services Company Inc.

BEVERLY L. TOPPING
(A,N,P)
Chairman &
Chief Executive Officer
Today's Parent Group
Director: CT Financial Services; Women's College Hospital Foundation; Centre for Studies of Children at Risk

GABRIEL T. TSAMPALIEROS
President &
Chief Executive Officer of the Corporation
Director: The Second Cup Ltd.; The Spectra Group of Great Restaurants Inc.

JOHN H. TORY
Q.C. (A,P)
President &
Chief Executive Officer
Rogers Cablesystems Limited
Director: Rogers Media Inc.; Rogers Cablesystems Limited; CamVec Corporation
Chairman: Canadian Football League

(A) Audit Committee Member
(H) Human Resources Committee Member
(N) Nominating & Governance Committee Member
(P) Pension Committee Member

Corporate Directory

CORPORATE OFFICERS & EXECUTIVE

Honorary Life Chairman of the Corporation
PAUL J. PHELAN, C.M.

Chairman of the Board
M. BERNARD SYRON*

Vice Chair of the Board
H. GAIL REGAN, PH.D., M.B.A*

President & Chief Executive Officer
GABRIEL T. TSAMPALIEROS*

Senior Vice-President,
AMIRALI G. AJANI

Vice-President
A. DANIEL LEPIDAS

Executive Vice-President, Finance & Administration & Chief Financial Officer
MICHAEL NAHIRNY, C.A.

Vice-President, Business Planning & Analysis
PETER SUURTAMM

Senior Vice-President, Strategic Development, General Counsel & Corporate Secretary
IAN C. WILKIE

RESTAURANT GROUP OFFICERS & EXECUTIVE

President & Chief Operating Officer, Restaurant Group
WAYNE HOLM

Vice-President, Harvey's, Restaurant Group
DAVID T. BARLOW

Vice-President, Construction & Design, Restaurant Group
H. MATTHEW CHODOROWICZ

Vice-President, I.T., Restaurant Group
LOUISE B. CRAGG

Vice-President, Law & Franchising, Restaurant Group
DARRELL JARVIS

Vice-President, Branding, Restaurant Group
ROBERT E. LEVY

Vice-President, Marketing, Restaurant Group
VALERIE McILROY

Assistant Vice-President, Air Terminal Restaurants, Restaurant Group
KEN OTTO

Vice-President, Swiss Chalet, Restaurant Group
STEVEN L. TSAMBALIEROS

FOODSERVICES GROUP OFFICERS & EXECUTIVE

President & Chief Operating Officer, Foodservices Group
JAMES B. WILLIAMS

Vice-President, I.T., Foodservices Group
CRAIG BAKER

Vice-President, Healthcare Services, Foodservices Group
IAN BELL

Vice-President, Human Resources, Foodservices Group
FRANK CHARRON

Senior Vice-President, Airport Services, Foodservices Group
FRED W. CRESS

Vice-President, Finance, Foodservices Group
AMIN R. PIRA, C.A.

SUBSIDIARY OFFICERS

Beaver Foods Limited, Chief Operating Officer
DENNIS R. LOGAN, C.A.

Summit Food Service Distributors Inc., President
JOHN J. BATTERSBY

** Individual is also a Director of the Corporation.*

Shareholder Information

HEAD OFFICE

6303 Airport Road
Mississauga, Ontario
Canada L4V 1R8
Tel: (905) 405-6500
Fax: (905) 405-6777
Web site: www.cara.com
E-mail: finance@cara.com

STOCK EXCHANGE LISTINGS

Toronto, Montreal

STOCK TRADING SYMBOLS

CAO – Voting Shares
CAO.A – Class A Non-Voting Shares

INVESTOR RELATIONS

Michael Nahirny, C.A.
Executive Vice-President, Finance & Administration and Chief Financial Officer
Tel: (905) 405-6700
Fax: (905) 405-6777
E-mail: mnahirny@cara.com

TRANSFER AGENT & REGISTRAR

Montreal Trust Company
151 Front Street West
8th Floor
Toronto, Ontario
Canada M5J 2N1
Tel: (416) 981-9807
Fax: (416) 981-9800

Shares are also transferable in Canada at Bank Offices of Montreal Trust Company at:

Place Montreal Trust
1800 McGill College Avenue
6th Floor
Montreal, Quebec
Canada H3A 3K9
Tel: (514) 982-7800
Fax: (514) 982-7635

510 Burrard Street
2nd Floor
Vancouver,
British Columbia
Canada V6C 3B9
Tel: (604) 661-0271
Fax: (604) 661-9480

BANKING

ScotiaBank
Corporate Services
44 King Street West
Toronto, Ontario
Canada M5H 1H1
Tel: (416) 866-6161

Branch Services
6725 Airport Road
Mississauga, Ontario
Canada L4V 1V2
Tel: (905) 678-2233

AUDITORS

PricewaterhouseCoopers, LLP
145 King Street West
Toronto, Ontario
Canada M5H 1V8

ANNUAL MEETING

July 22, 1999
at 11:00 a.m.
Royal York Hotel
Toronto, Ontario
Canada

On pourra se procurer le texte français de ce rapport annuel en communiquant avec le Responsable des relations avec les investisseurs.

Cara in the Community

Cara's culture of integrity and respect is fundamental to our vision of the future. Key to that culture is a profound sense of social responsibility – giving something back to the communities where we operate and helping to ensure their future vitality.

Community is people, and our role in the community is based on the people of Cara – the Cara family, 27,000 strong, living and working in communities across Canada.

In running our restaurants and food operations, serving our well-loved products to millions of Canadians every week, Carians contribute greatly to Canadian life. In many places, our restaurants are right at the centre of community – part of the fabric of the neighbourhood.

Beyond our role as a business and an employer in the communities where we operate, Cara people are involved in community partnerships – as good neighbours and as volunteers and supporters of a broad range of charitable enterprises and community activities.

To support the efforts of the Cara family and to reinforce the positive role Cara plays in the Canadian community, Cara is an Imagine Company, donating 1% of pre-tax profits. Our charitable focus is health promotion, which we define as activities or interventions that reduce risk of poor health.

Giving to Our Communities

"We believe that reducing risk of poor health is a worthwhile focus."

Gail Regan

In fiscal 1999, Cara provided significant support to:

- St. Michael's Hospital Foundation – for a Chair in Trauma Research;
- Smart Risk;
- The Consumer Policy Institute – to research health care reform;
- The Women's College Hospital Foundation – for a Professorship in Obstetrical Anaesthesia;
- Yes! International – Internet support groups.

Other donations were made to health promotion agencies such as:

- Antigonish Women's Resource Centre
- National Aboriginal Achievement Foundation
- Oasis Nature Day Camps
- Ontario Students against Impaired Driving (OSAID)
- Vancouver Friends for Life Society

Through our corporate programs – and through the programs and voluntary activities of Cara's operating businesses, teammates and operating associates – we are striving to make a difference in our communities. Our vision is one of health and prosperity.

Beyond our corporate programs, Cara's businesses also give back to the communities where they operate. For example:

- Harvey's has a youth foundation that sponsors Heroes – a multimedia show promoting wise decision making. Heroes is the main project of Smart Risk.
- Beaver Foods is a patron sponsor of Kids Help Phone – providing promotional and financial support.

LEFT TO RIGHT:

< Women's College Hospital

< Smart Risk

> Cara places a special focus on children and youth.

CARA®